

Mr. HENDERSON: Yes, that is why the figure is shown.

Mr. BIGG: What they are saying here is that they have overcharged. Because they did not pay out this on this government supplied equipment, they are getting \$74,000, as a five per cent bonus, which they should not be getting and I do not think they should be getting it either.

Mr. HENDERSON: That is why we think it should be collected and when we drew it to their attention, they agreed.

Mr. LEFEBVRE: The contractor actually did work for this \$1,483,000?

Mr. HENDERSON: No, as Mr. Long explained, that was between two departments, I think, Mr. Long, it was between the Department of Defence Production and the Department of National Defence.

Mr. WINCH: The shipyards want their five per cent on the departmental exchange. They want their \$74,000 although they had nothing to do with it. It is a pretty serious principle.

Mr. HENDERSON: That is right.

Mr. FLEMMING: My question is this. What was the understanding with the contractors with respect to these items. Was it that as soon as they determined what the actual price should be the accounts should be adjusted, or was it that the Department said "we are going to supply these. We will set a price on them. This will be the final price and that is it"? Now I am just wondering if there was an understanding between the contractor and the Department with reference to what proved to be an understatement of cost?

Mr. WINCH: I am also very interested. Would you please add to your question, if I may suggest it, should a shipbuilding firm get a profit percentage on what is strictly a bookkeeping adjustment between two federal departments?

Mr. FLEMMING: Yes, of course I will be glad to add it but my point is, if the department said, "look, we are going to finalize this by saying the price will be so and so and that ends it", then it seems to me that the transaction is ended. But, if they say, "we will put this in at a certain figure" and then the figure develops as \$1,400,000 less, then surely they are not entitled to the five per cent of the \$1,400,000.

Mr. HENDERSON: That was the point that we turned up, Mr. Flemming. You see, as the note states, as the actual cost of the components manufactured by other contractors had not been determined, the billing price was estimated. Nevertheless, the shipyards were charged on a firm price basis. The Minister or the Department wrote in March this year. They said that the shipbuilders note that they simply received five per cent of total cost billed to them by the Department and, in their opinion, there is no reason why subsequent differences between the total price paid by the Department of Defence Production for main components and the price billed to them should give rise to further negotiations. They have their five per cent on the estimated price and they intend to keep it.

Mr. BIGG: Do we think it is a serious point of principle? If this has been going on, let us, for the future, stop it now by saying that when these contracts are negotiated with the government, we make it abundantly clear as to where