

Supply—Defence Production

Industries, may I say that the payment of cancellation charges for contracts entered into by a crown agency has to be made by the crown. When the crown enters into a contract and, for one reason or another, may be forced to cancel it, the crown assumes responsibility for cancellation charges. So the contractor is not required to suffer a monetary loss as a consequence of the cancellation. In cases where it becomes necessary to cancel contracts, the crown assumes responsibility for the payment of cancellation charges.

In so far as the *Chaudière* is concerned, I think the hon. gentleman knows as well as I do that the priority concerning the building, repairs, overhauls and refitting of defence equipment is assigned by the Department of National Defence, and it is up to that department to decide what is to be overhauled, repaired and built anew, and when.

• (8:50 p.m.)

The services of the Department of Defence Production are used to contract for these services or these products. The selection of the products and the timing is the choice of the Department of National Defence. In the case of the alternatives in connection with the conversion of the *Chaudière* or the construction of new destroyers, this is a choice made by the Department of National Defence, and it is quite proper. In connection with the exercise of this choice, my department does furnish the Department of National Defence with figures as to the costs of these various options, costs in terms of money, and other economic consequences. When the Department of National Defence therefore is contemplating either a new contract or a cancellation, we do ensure that they are thoroughly advised as to the costs, and the cost disadvantages, of such a course of action. This I suggest was the information provided to the Department of National Defence in relation to the question of the *Chaudière*.

Now, the hon. gentleman has mentioned the poor estimates of cost made in relation to the naval overhaul work, and in particular in connection with the *Bonaventure*. This of course is a continuing difficulty, so far as I am concerned, in that it is very rare that on every occasion when the cost of an operation is mentioned, the total cost is ever produced. In connection with the refit and overhaul of the *Bonaventure*, bids were sought from shipyards covering, first, the cost, on a firm price basis, of the known work that has to be done

[Mr. Drury.]

and for which specifications could be provided. There is, second, an undisclosed, undetermined and unknown amount of additional work which will be required and which can only be discovered when the ship is in drydock and opened up, to use an expression. The hon. gentleman had some experience himself with that in his recent visit to the *Bonaventure*.

The amount of this work and its nature cannot be known until the ship is in drydock and after the contract is let. Consequently, as part of the contract, including the firm price bid for known, specified work, the shipyards are asked to quote an hourly rate for work which may arise out of the inspection of the ship, once it is in the dockyard. Estimates are made of what this might amount to in total man hours. Sometimes it turns out to be less, and sometimes more, depending on the condition of the interior of the machinery in some of the closed compartments, which is disclosed at the time of inspection.

In addition to this, the shipyards are furnished with equipment, gear and components which are purchased, not by the shipyards, but by the Department of Defence Production, and supplied on a free issue basis to the shipyards for installation in the ship. This is part of the cost of the refit, but it does not show up anywhere in the cost of the contract with the shipyard because it is a free in-free out entry. Consequently, when the total figures are finally seen, the total cost including the firm price of the known work, the amount of work made necessary as a result of the inspection of the sealed compartments and the final cost of procuring and installing the free issue, appears to be larger than the firm price bid which is the original bid by the shipyard.

I think this does account for confusion as to what the total cost is at any point. I am trying to insist that, when questions are asked in relation to only part of the cost of one of these refits, the hon. member is provided with the global cost as well as the particular answer.

Mr. Nasserden: Mr. Chairman, dealing with these items 6c and 7c concerning the sale for one dollar of the assets, or liabilities as the minister has chosen to describe them, I wonder if he could give us the inventory value at the time of the sale of the crown owned magnesium foundry located at Haley, Ontario, set out in the following classifications: real estate, machinery and automotive, raw