

It is considered by military engineers that there was a probable actual saving by the use of the cost plus system with relation to these projects, because they involved a great deal of underground work. In order to arrive at accurate estimates for bidding purposes, much time and expense would have been involved in preliminary borings, or else bidders would have had to allow a considerable margin for safety.

Under the system adopted, the work was done at the actual cost, plus 5% profit to the contracting firm. This margin of 5% is smaller than usually allowed in cost plus contracts.

The basic contract in these transactions was carefully reviewed by the Interdepartmental Committee on Profit Control, and its financial clauses and conditions were approved by that Committee.

The criticism of the terms, by which the Department paid the contractor for the use of equipment rented by the contractor to the Government for use on these contracts, was exceedingly unfair. The equipment was rented on a daily basis. That is, rent was to be paid only for each day that the equipment was used. A day was defined as eight hours.

The contractor was responsible for the maintenance and upkeep of his own equipment. When equipment was used for two shifts or three shifts in a single day, the contractor was paid for two days or three days. This was fair, since the contract defined a day as a period of eight hours.

It is true that the Auditor General questioned the payment of two shifts within a single day but when the facts were thoroughly gone into, the payments were approved.

The point made by the Financial Post with respect to the Auditor-General, therefore, merely proves the extent of the precautions taken by the Government to protect the public interest.

For the purpose of contending that the rental rates were excessive, the article assumed 275 working days in a year and multiplied the daily rate of rental by 275. The resulting sum was held to represent approximately the capital cost of the piece of equipment in question.

This basis of calculating is absolutely unsound, since the rent was paid only with respect to the actual days on which the equipment was used. Pieces of equipment, in fact, lay idle on the job for weeks and months at a time and, for these days the contractor received no rent.

Actually, the rental schedule was based on the standard schedule used by the Provincial Department of Public Works in British Columbia and was, therefore, in strict accordance with the prevailing practice in the part of the country where the work was carried out.