

Mr. WINCH: The important thing to you, Mr. Henderson as Auditor General is, in your examination, which is your responsibility, you want to draw the attention of the House of Commons and this Committee to the fact that you think something is wrong, and I quote "it is estimated that the billing prices exceed actual cost by some \$1,483,000". You oppose a billing and, therefore, a payment which in your estimation as Auditor General, exceeded cost by some \$1,483,000?

Mr. HENDERSON: May I ask Mr. Long to speak on that. He has looked into this more recently than I.

Mr. LONG: I think the difficulty here is, you must remember that the Department of Defence Production has a revolving fund. Ships are pretty big items. They are going to supply certain components. These are not a simple matter of materials; they are something that has to be fabricated so costs are coming from different plants all over the place. These costs take a while to come in; they are subject to cost audit, in some cases, and adjustments but, in the meantime, the shipbuilder needs to have the billing for these materials. He gets his profit all right on the materials supplied to him, because he pays for that material.

Mr. LEFEBVRE: How would this \$1,483,000 compare to the total amount paid for the building of the 13 ships? What percentage are we talking about?

Mr. HENDERSON: Have you got that information here?

Mr. WINCH: In the same way, what relationship has it got? It is \$1,483,000 we should not have spent, according to this.

Mr. LONG: It is only the \$74,000 profit on that \$1,483,000 that we are talking about.

Mr. LEFEBVRE: It says here, "while the final costs for all components were not available at the fiscal year-end, it is estimated that the billing prices exceed actual cost by some \$1,483,000". Would this be the cost to the contractor?

Mr. LONG: Your problem is, how was this excess adjusted? The answer to that is, it was adjusted between Defence Production and National Defence, leaving the shipbuilder out of it. In other words, going direct. This may have been a reduction of profits on some of the purchases of these materials. The credit went to National Defence direct rather than going through the shipbuilder, but the shipbuilder, in the meantime, had the profit on that figure. He retained it.

Mr. HENDERSON: The five per cent is on the \$1,483,000, that is how the \$74,000 is arrived at. Do you see that?

Mr. FLEMMING: What is the relationship of the \$1,483,000 to the total cost of the 13 vessels?

Mr. LONG: The cost is \$69.6 million.

Mr. FLEMMING: For the total cost of the 13 ships?

Mr. LONG: That was your question.

Mr. FLEMMING: Yes.

Mr. BIGG: The \$74,000 is five per cent of this \$1,483,000?