

"cost" shall include direct labour costs, indirect labour and/or overhead charges, depreciation of plant and equipment (at rates not in excess of those allowable by the Income Tax division of the Department of National Revenue in respect of the fiscal period or periods in which the work is performed) and the cost of materials and parts, incurred or procured by the contractor (including materials and parts contracted for and for which the contractor is obligated to make payment) in respect of and properly apportionable to the performance of the contract and not included in the price paid or payable to the contractor in respect of work completed by the contractor before or after the giving of any notice hereunder;

- (iii) if the contract shall have specifically authorized or if the minister shall have specifically approved the making of capital expenditures by the contractor to enable it to carry out the contract, the contractor shall be entitled to be reimbursed the amount of such capital expenditures so authorized or approved (and actually made or incurred) to the extent that the same (less any depreciation in respect thereof already taken into account in determining cost in accordance with the foregoing provisions) were reasonably and properly incurred by the contractor in respect of and are properly apportionable to the performance of the contract and have not been included in the amounts paid or payable to the contractor in respect of work completed by the contractor before or after the giving of any notice hereunder;

(c) No reimbursement shall be made for materials, whether raw or in the course of manufacture or manufactured, which have been or may be rejected after inspection as not complying with the terms and conditions of the contract and the specifications; and no reimbursement shall be made of expenditures incurred by the contractor in respect of deliveries of which the contractor may be in arrears at the time the said notice is given unless the contractor is so in arrears due to a cause which was beyond the control of the contractor.

(d) In no case shall the contractor be entitled to be reimbursed any amount, which taken together with any amounts paid or due or becoming due to the contractor under the contract, shall exceed the total amount payable for the work to be performed under the contract. In the event that the contractor and the minister are unable to agree upon the amount in respect of which the contractor is entitled to be reimbursed as aforesaid, the matter shall be referred to the exchequer court;

(e) Whenever practicable the contractor shall procure materials and/or parts required for the performance of the contract on terms that will enable it to terminate any contracts entered into by the contractor upon conditions and terms similar in effect to those herein provided for in respect of the termination of this contract by the minister and the giving of a notice or notices as aforesaid: and generally the contractor shall cooperate with His Majesty and the minister and do everything reasonably within its power at all times to minimize and reduce the amount of His Majesty's obligations under the provisions of this clause;

(f) Upon reimbursement being made to the contractor as herein provided, title to the materials, parts, plant, equipment and/or work in process in respect of which such reimbursement is made shall pass to and vest in His Majesty unless already so vested under any other provisions hereof (the contractor hereby agreeing to execute and deliver all requisite instruments by way of further assurance) and such materials, parts, plant, equipment and/or work in process shall be delivered to the order of the minister, but the materials thus taken over will in no case be in excess of what would have been required for performing the contract in full if no notice had been given under the provisions hereof;

(g) If it is established to the satisfaction of the minister by the contractor that by reason of any action taken by the minister under the provisions of this clause exceptional hardship has resulted to the contractor, then the minister may, notwithstanding any other provisions of this clause, in his absolute discretion grant such allowance (not to include in any case, however, any allowance or compensation for loss of profit) to the contractor as, in the opinion of the minister, is warranted by the circumstances;

(h) Any action, decision or determination by the minister under the provisions of this clause shall be final and binding upon the contractor;

(i) The contractor shall have no claim for damages, compensation, loss of profit, allowance or otherwise by reason of or directly or indirectly arising out of any action taken or notice given by the minister under or pursuant to the provisions of this clause except as to the extent in this clause expressly provided.

I have arranged for the distribution of copies of the Manual of Procedure on Termination of Contracts, as revised in April, 1945. The clause referred to will be found at page 10 of this manual. In effect it provides that the minister may at any time terminate the contract, and in such event the contractor will be reimbursed in respect of the costs incurred and commitments made for the contract up to the termination.

The contracts settlement board commenced operations on January 1, 1945, and up to September 30, 1945, had received 1,507 termination notices which have been or will be the subject of termination claims. Of this amount, 500 were received during the month of September. In the above period, 626 claims have been received amounting in all to \$23,272,225.31. The board has approved settlement of 369 claims totalling \$13,166,380. The value of the uncompleted portion of the contracts settled was \$104,185,825.79. The amount of the settlements, therefore, was approximately thirteen per cent of the value of the terminated portion of such contracts.

It is impossible to estimate with any degree of accuracy the amount which will be required to settle all claims arising out of contracts placed by this department which are terminated prior to completion. We have, however, estimated that \$175,000,000 will be