

Refitting of HMCS "Bonaventure"

item X-337 which would have required an expenditure of \$550,499 for the repair of furniture. This was replaced by items X-782 and X-784, totalling \$206,861. There were comprehensive specifications covering the refinishing of furniture. The work orders were supplemented with diagrammatic and oral instructions. The evidence before the committee indicates that these were adequate for those concerned with the work. It would appear that the committee's criticism of Captain Lynch relates to the fact that the work orders for furniture repairs were not amended in writing to include the supplemental instructions so that they could be readily audited by the committee. I can understand the committee's concern in this matter. This raises the general question of records adequate to the job and those satisfactory for a later, detailed investigation.

We appreciate the need when dealing with public moneys to keep records in sufficient detail to satisfy a subsequent review of the expenditures involved. In this particular instance it is agreed the detailed record available to the committee was difficult to follow. Every effort will be made to provide better records to the fullest extent possible. My colleague, the Minister of National Defence, was deeply disturbed that the report reflected unfavourably on some of his departmental officials who appeared as witnesses before the committee. He carefully reviewed the evidence and the performance of the officials concerned. He has satisfied himself that there are no grounds for disciplinary action against the personnel involved, and asked me to say this today.

I wish to turn, now, to some other aspects of this report. I would like to comment on the estimated cost of this refit. The committee, in its report, recognized that the *Bonaventure* refit was the first of its kind in Canada and was of such unprecedented magnitude that it would pose some difficulties to the Defence Department. It was also one of the early contracts using a new system of awarding such contracts by competitive tender. The committee, however, believes that a large number of obvious items could have been included before the tendering process and that greater efforts should have been made to determine and define the amount of work to be undertaken before seeking public tenders.

I agree that the effectiveness of competitive bidding is enhanced when as much work as possible is defined before seeking tenders. The two departments, before receiving the

report, had gone into this question and had worked out revised procedures which will improve performance in this respect. None the less, there is no practicable way prior to opening the ship, particularly a ship of this size, of determining in full the precise nature and scope of the work to be done. So an allowance has to be made for "work arising" or "unknown work" in the tendering process. The allowance for this in the tender call was 200,000 hours of labour and 10,000 hours of drawing office time. The departmental estimators used their best judgment, but in the absence of previous experience or historical data to assist them their estimate was concededly too low.

● (8:40 p.m.)

As for the new work introduced after the tender call, it was decided in the course of the refit to do additional painting, based on surveys as the work proceeded—certain work which would improve living conditions and some improvements to safety and operating features. We became convinced of the advisability of doing this work only as the refit proceeded. These deliberate decisions were based on defence priorities at the time, as any additional costs of the refit had to be met by transfers from other items within the total defence budget and were not in addition to it.

Estimates on repair and refit contracts on destroyers and smaller ships, with which there has been long experience, have been good. On some 45 repair and refit contracts in the last two years, contract prices were well within the estimates.

The original *Bonaventure* refit estimate of \$8 million was based, firstly, on the procurement of government-supplied material, secondly on known shipyard work, and thirdly on provision for refit work arising. The completed program costs consist of \$10,290,090.74, the contract price as shown on page 778 of the report, and the items "direct cost of government-supplied materials by naval stores, \$2,068,000.00" and "freight and sales tax, \$150,000" included in the table of figures on page 779, giving a total of \$12,508,090.74.

If indirect costs are to be added, as they were added by the committee in arriving at the total amount, such as the \$1,074,000 estimate for crew salaries, as they are on page 779, they should also surely be added to the original \$8 million estimate. The converse of that would have been the suggestion that serving crews should have been discharged for the interval. Moreover, a tabulation of this kind, to be consistent, should deduct the

[Mr. Macdonald (Rosedale).]