

*Supply—Defence Production*

subtracted from the total amount required of \$561,871, gives the amount of this vote, \$232,016.

**Mr. Macdonnell (Greenwood):** I think we can now give the parliamentary assistant first prize for addition, but not first prize for timing.

**Mr. Harkness:** If I understand this matter correctly, this vote is necessary because the cost of supervision on major projects was in the nature of \$458,000 more than it was estimated it would be; is that correct?

**Mr. Dickey:** \$415,000.

**Mr. Harkness:** Leaving aside the offsetting items, the vote is necessary because the supervisory services have been much more extensive than was expected.

**Mr. Abbott:** Construction has gone ahead more quickly.

**Mr. Harkness:** Is the basic reason why these supervisory costs are so much more than was estimated because a considerable number of cost-plus contracts were undertaken which meant a great deal more supervision than would be necessary otherwise?

**Mr. Dickey:** The answer is no, Mr. Chairman.

**Mr. Higgins:** Is it under this item that the defence projects are constructed in the different provinces? Is this the item that takes care of that?

**Mr. Dickey:** That is right.

**Mr. Higgins:** In what provinces are there defence projects being constructed?

**Mr. Dickey:** They are in all ten provinces.

**Mr. Higgins:** What is in Newfoundland?

**Mr. Dickey:** I have not the details of the projects under construction in Newfoundland, but there are projects in all ten provinces.

**Mr. Harkness:** The parliamentary assistant says that this extra supervisory cost was not due to cost-plus contracts. I believe the Minister of Finance said it was due to the fact that construction had gone ahead more rapidly than they expected. I cannot see how that is really the case, because the amount of money we voted for construction has not been exceeded. We are not being asked to vote extra money for construction, either under defence or under defence production. It would appear, therefore, that the minister's reason for this extra amount—this very large amount—for supervisory costs is not explained. I should like to know what the explanation is for this very large increase in supervisory costs.

**Mr. Dickey:** The explanation quite briefly, Mr. Chairman, is that Central Mortgage and

[Mr. Dickey.]

Housing performed on the site supervision for all defence construction contracts. When the main estimates for this work were prepared some 16 to 18 months ago, Central Mortgage and Housing estimated that their charge for these services would be a certain amount. In a very large program of this kind there are many factors which it is difficult to forecast with absolute certainty. The experience has been that there is an additional amount required by Central Mortgage and Housing to meet their expenses for these supervisory activities, and they have had to go to their employer, Defence Construction Limited, and indicate that they require additional money.

Now, that is the explanation. It is a combination of factors which I do not think could possibly be all assessed by the hon. member or by myself. It is the result of the defence program and the work that Central Mortgage and Housing Corporation is doing.

**Mr. Harkness:** As I understand the explanation now, it has been due largely to poor estimating as to what the cost of this supervision would be. I wonder if the minister or the parliamentary assistant could tell us how much of this \$415,000 was actually expended for cost-plus contracts.

**Mr. Dickey:** I do not think the hon. member is quite correct in saying that this is the result of poor estimating. It is the result of a number of factors that could not possibly be foreseen at the time the estimates were prepared. These programs are very complex, and become more complex sometimes as they go along.

I do not think it is possible, certainly we have not got the figures here, to indicate the impact of any cost-plus contracts on this particular item. All I can tell the hon. member is that the number of cost-plus contracts is less than 2 per cent of the entire program, and the value of those contracts is something less than 8 per cent of the entire program. I think that the additional costs would bear some relationship at least to those figures.

**Mr. Harkness:** I am sorry but I must take issue with the total of the cost-plus contracts and the percentages which the assistant has given, because those figures do not jibe with what we were given in the defence expenditure committee. The figure we were given there is 3.8 per cent, and that was only for the non-security defence projects. All of the security defence projects were on a cost-plus basis.

**Mr. Dickey:** No, the figure given to the defence expenditure committee was the