

cent of total cost billed to them by the department and in their opinion there is no reason why subsequent differences between the total price paid by the Department of Defence Production for main components and the price billed to them should give rise to further negotiations. In fact, the original settlement was made for the precise purpose of eliminating the need for further adjustments.

There are seven shipyards involved and this issue has attracted the attention of the Shipbuilders' Association. Had the approval of Treasury Board been obtained in 1959, the department's position would have been technically sound. The department's objective was good and it did issue final amendments to amendments to these contracts. The question now is being reviewed by the Minister who has decided that no further recovery action shall be taken and that the contract shall remain undisturbed.

I think your concern here will probably be that delays in establishing final costs of material supplied the contractors should, in this way, result in added profits to the contractors. There has been considerable discussion of this matter, as I say, since the point was raised and—

An hon. MEMBER: It goes beyond that, Mr. Chairman.

Mr. WINCH: It goes to a very vital principle, in my estimation, and that is the position of a shipyard, and that we have no right to say that there should be re-negotiation on their profit structure. I take it, that is what your quotation means; that the government, the Department of National Defence, the Department of Defence Production or anything else, has no right to query them whatsoever if we think there has been an over-payment. There is a most vital principle. If the shipyards take that position, I think they should be stepped on and stepped on mightily hard especially when we read that the billing exceeded the actual cost by \$1,483,000. To try to tell the government, a department or this Committee that it is none of our business is a little bit of impudence that we should not accept. It is our business. We are the guardians of the people's money.

● (12:20 p.m.)

Mr. THOMAS (*Middlesex West*): May I ask, does the department acknowledge this excess profit of \$74,000?

Mr. HENDERSON: Yes, they do, Mr. Thomas. We drew the necessary attention to it and it is, as a result of this, that they have attempted, ever since, to effect recovery. The advice I have received here, which I quoted to you, is that they feel no further action can now be taken. They have explored all channels and they feel the matter will have to stand.

Mr. CAMERON (*High Park*): Will they be any wiser for it?

Mr. HENDERSON: I might ask Mr. Douglas. Are you familiar with where this stands, Mr. Douglas?

Mr. J. R. DOUGLAS (*Audit Director, Auditor General's Office*): Mr. Chairman, I think the decision of the department stems from the fact that in order to eliminate the continual adjustment in the price of the components supplied to the contractors, it was decided that they would estimate the probable final cost as carefully as possible and advise the shipbuilders of the amount and then settle the five per cent fee on that basis. Therefore, the shipbuilders had the