

*Refitting of HMCS "Bonaventure"*

my department reached agreement on implementation of the proposals contained in the report and these proposals are now in effect in my department. I believe that members of the opposition and the Standing Committee on Public Accounts would be interested in this report. In fact, if they would read it I think that they would be encouraged by it because it is, I believe, a clear indication that within the Department of Supply and Services we have in some respects been thinking along the same lines as the Standing Committee. We have been trying to improve our contracting procedures in a manner fully consistent with some of the recommendations of that committee.

At the time of the *Bonaventure* refit when we were introducing competitive firm price contracting for ship construction and repair, it was found that in many ways my department, the user departments and the contractors were not fully experienced in working within the rigid conditions laid down in the contracts. Since that time we and the other concerned parties have gained considerable experience and have developed techniques that enable us now to have these contracts completed successfully, on time and within budget.

As evidence of that statement, Mr. Speaker, in the last three years, of 33 ships purchased for civil departments all but one were delivered on schedule or ahead of time. The actual shipyard costs amounted to \$14,079,000 against a budgeted cost of \$14,505,000. As another illustration of how we are continually improving our estimating and programming practices, the Department of National Defence and the Department of Supply and Services handled 25 naval ship refit and repair contracts during the fiscal year 1968-69. The total budgeted figure for all 25 contracts was \$4,668,000. The total final contract price was \$3,755,000. This means that owing to detailed cost estimating and tight negotiation the contract prices were some 20 per cent below our budgeted figures. In 1969-70 the total budgeted figure for 20 refit and repair contracts was \$3,495,000, with a total final contract price of \$2,959,000. The contract prices for that year were some 15 per cent below our budgeted figures.

The examples I have just given are mainly in the area of ship construction and repair but are illustrative of the results of our system improvement program. There are many other examples that could be given where changes and improvements are provid-

[Mr. Richardson.]

ing better estimates and substantial savings in the cost of the goods and services which the government buys. I hope, Mr. Speaker, that my remarks up to this point have established that the system improvements in the area of government procurement are in a continual process of improvement.

• (9:20 p.m.)

Turning now specifically to the *Bonaventure*, the contract—as do all refit and repair contracts—provided for a fixed price for the known work and a firm chargeout rate for labour and overhead. The committee expressed concern that the chargeout rate for labour and overhead was renegotiated. However, Davie Shipbuilding Limited was not obligated to deliver more than 200,000 hours of "work arising" at the original rate of \$3.95 an hour. In view of the committee's concern I have consulted the Department of Justice, who have fully confirmed the legality of the department's action in this matter. Perhaps I should add that the new rate was not unreasonable. It was, as shown in the committee's report, only a few cents higher than the rate bid by the two competing yards for the first 200,000 hours of "work arising". The average chargeout rate by Davie was thus well below the rates originally bid by the competing yards.

I would like to point out, Mr. Speaker, that in its extensive report the committee did not mention what seems to me to be an important fact. At no place did the committee indicate that an over-all audit of the total contract with Davie Shipbuilding Limited was carried out by the audit service branch and that it was determined by that audit that the over-all profit before taxes was below 10 per cent of the cost.

**Mr. Woolliams:** Mr. Speaker, would the minister permit a question?

**Mr. Richardson:** Gladly.

**Mr. Woolliams:** I take it from his argument that the minister is trying to evade ministerial responsibility. But apart even from the overexpenditure can you, as a minister of the Crown with a lot of say, particularly in western Canada, say that the government was right in stating, "Spend all this money, and when we get through we will either sell it or scrap it"?

**Mr. Richardson:** Mr. Speaker, we are talking of two separate matters.

**Mr. Woolliams:** Well, answer that question.