

- 13 -

In February 1954, the company had submitted a request for an additional payment of \$943,000 for overhead, increased labour rates and extra plant rental, contending that the work had been delayed some fifteen months by its inability to obtain steel as required due to the defence build-up and controls imposed after the Korean outbreak. His Department recognized that there was undoubtedly delay attributable to shortage of steel, and that it would not appear that the Company could reasonably be expected to anticipate such a shortage at the time its tender was made, nor did the Department itself anticipate a shortage. It was considered that the contractor's proposed schedule of deliveries was quite reasonable, but delays arose almost from the inception of the work, despite every effort made by the Department to assist the contractor.

After negotiations with Departmental officials, the Company agreed to delete certain job overhead items and to accept a reduction in the alleged period of delay, with the result that its claim was reduced to \$566,612, which was based upon a delay of twelve months.

All aspects of the matter had been examined by the Departmental engineers under whose supervision the work had been performed. They were of opinion that the delay attributable to failure to meet expected delivery dates was approximately eight months, and, therefore, they had recommended for consideration an ex gratia payment of \$376,000 (equal to 8/12 of the sum of \$566,612.)

In the circumstances, it was suggested that the Company's records be audited in detail by the Cost Audit Section of the Comptroller of the Treasury and that, on completion of the audit, authority be obtained for a gratuitous payment of \$376,000 or such lesser amount on a proportionate basis as might be verified by the audit.

An explanatory memorandum had been circulated.

(Minister's memorandum, Oct. 21, 1954-  
Cab. Doc. 227-54).

27. In the course of discussion it was pointed out that a number of ex gratia payments had been made to contractors in the past under various circumstances. However, there were a number of such cases pending in various departments. As it was difficult to maintain a consistent and equitable policy in dealing with claims of this nature it might be useful to consider the Atlas Construction Company's claim together with all other pending claims and in the light of action taken on similar cases in the past.

001748

RG 2, A5a,  
Vol. 2656

Privy Council Office  
Bureau du Conseil privé

National Archives of Canada  
Archives nationales du Canada