

certain cases they were found to be useless. During the process of manufacture the British designers several times adopted new improvements and modifications. Time was lost in order that Canada might have the benefit of these. And all the time the factories and the air force were dealing with a new and exceedingly technical type of work.

Political favoritism was alleged in connection with the selection of firms. The contracts were distributed among eight companies. These were eight of the only nine firms in Canada having substantial existing nucleus of plant and equipment for aircraft manufacture. The one such firm which did not receive a contract was unable to offer the department a type of aircraft acceptable to the Air Staff.

The use of cost-plus contracts was criticized. There were -

- (a) 5 contracts at a fixed price;
- (b) 6 cost-plus contracts.

With respect to (a) it was found possible to ascertain with reasonable accuracy the cost of manufacturing similar aircraft in Great Britain. After allowing for the difference in wage scales and in costs of materials, it was possible to estimate the probable Canadian cost with sufficient accuracy to justify a definite price.

With respect to certain other types of aircraft the cost of manufacture in Great Britain had not been established with sufficient closeness for an accurate Canadian estimate to be made. Accordingly the contracts were let on the basis of the government paying the actual cost, plus a premium of 10 percent to the manufacturer.

This type of contract was adopted because there was no alternative.

It is alleged that the terms of the contracts were unbusinesslike and did not protect the public interest adequately. The fact is that in preparing these contracts the department took special precautions to obtain the best advice and assistance available in the whole government service.

When it was realized by the Department of National Defence that the rebuilding of Canada's defences would necessitate entering into types of contract in which the customary safeguard of competitive bidding would not be available, the Minister took up the matter with the Government as a whole. The problem was carefully considered and the result was the establishment of an Interdepartmental Committee on Profit Control. This committee included in its membership six senior government officials, representing five departments, and including the Deputy Minister of Finance and the Commissioner of Income Tax.

It is alleged that the contracts were negotiated and administered solely by the Minister of National Defence.

The fact is that all six of these contracts were referred to the Interdepartmental Committee, which studied and advised upon them, which rendered valuable service in drafting their terms and provisions, and which approved the contracts as finally let.