

## Questions

cases where there is under construction concurrently a number of ships of the same class. It does not apply to ship repairs or to the construction of one ship of a class.

The "lead yard" principle is based on the following considerations:

(a) The commencement and progression of one ship, i.e. the lead ship, in advance of the follow ships. By so doing, the experience gained in the construction of that lead ship can be translated to the benefit of the follow ships.

(b) Associated with lead yard production is the principle of central procurement. Most of the major equipment in warships, such as the propulsion system, electronic gear, armament, etc., is purchased directly by the Department of Defence Production and issued to the shipbuilders. A small percentage of material is procured by the shipyards themselves. However, that material which must be "worked into" the ship including items such as steel, structural sections, pipes, flanges, valves, hatches, doors, insulation material, etc., is procured centrally through the naval shipbuilding central procurement agency with delivery to the shipyards on the basis of schedules established by defence production. Almost without exception such materials are procured on competitive basis.

The naval shipbuilding central procurement agency, located in Canadian Vickers, the lead yard in the current destroyer escort program, operates under a management contract placed by the Department of Defence Production and is subject to the purchasing control and supervision of this department.

(c) Further associated with the lead principle is that of preparing the drawings centrally in a drawing office associated with the lead yard. The agency for this purpose is the naval central drawing office. It is operated under a contract from the Department of Defence Production and is subject to the joint controls of the departments of national defence and defence production.

In summary, the lead yard principle introduces reduction of effort, simplicity of administration, economy of procurement and speed of financing.

2. See 1 above.

3. No. Standard plywood is not bought centrally. It is one of the items for which the shipyards determine their own source of supply.

However, certain specialized types of fire-proof impregnated plywood are procured centrally through the naval shipbuilding central procurement agency. In the current destroyer escort program such a specialized type of plywood was procured centrally, the portion required for two west coast ships

being placed with a west coast supplier and the portion required for four eastern ships being supplied by an eastern company.

Recently in a conversion program, as distinct from new construction, a similar specialized plywood was procured centrally through an east coast firm and issued to ships under conversion on the west coast. However, this order was placed on a competitive basis and at a cost lower than western suppliers quoted. The order amounted to \$2,276.50.

## UNCLASSIFIED DEFENCE CONTRACTS

## Question No. 1,132—Mr. Laing:

1. In the fiscal year ended March 31, 1961, what was the total value of unclassified defence contracts let?

2. Of this total, what percentage was let in each of the provinces?

3. Are quotations sought f.o.b. shipping point or delivered destination, or both ways?

4. During the above fiscal year, to how many, and where located, warehouses, were purchases shipped by suppliers?

5. During the above fiscal year, were there re-shipments recorded either in straight or mixed carlots, of goods purchased in Ontario to defence installations in British Columbia?

**Mr. O'Hurley:** 1. In the fiscal year ended March 31, 1961, the net value of all contracts let by the Department of Defence Production was \$615,011,419. This figure includes both classified and unclassified contracts as aggregate information on unclassified contracts only is not maintained. The net value includes the value of all new contracts plus increasing amendments minus decreasing amendments.

2. It is not practical to maintain precise statistics on the provincial distribution of contracts that would show the effect of the department's contracting on the various provinces. In the case of contracts issued by the head office sections of the department, the geographic identification would have to be based on the mailing address to which the contract is sent. This would not necessarily indicate the location at which the work would be performed. For example, contracts placed with head offices in centres such as Montreal, Toronto and Ottawa may be directed by the companies concerned to plants located in other parts of the country. Also, figures for the provinces would not take into account the extent of subcontracting inherent in defence production, and would not allow for the source of raw materials involved. In the case of contracts issued by the department's fourteen district offices across Canada, it is not practical to keep provincial statistics because of the very large number and small value of the contracts involved.

3. Quotations are normally sought f.o.b. destination. In some cases where the destination is not known at the time of tender, quotations are sought f.o.b. shipping point.