

FINANCE Terry Hammond, Editor

Hydro decision this time is a tough one

By TERRY HAMMOND
Sun Finance Editor

Gordon Merritt Shrum, 73, is known for his "full-speed-ahead-and-damn-the-torpedoes" touch with decision-making.

As a former colleague of the B.C. Hydro chairman says, "Shrum assimilates all the facts he can find and when the assimilation process is complete, the decision just pops out. It's as simple as that."

"There isn't any agonizing over whether it is popular or unpopular as long as it is logical."

The assimilation process for Shrum's next major decision is in the works now and the result will "pop out" later this month.

It won't be a particularly easy one.

For the first time in history a Russian company has bid for a major Canadian

industrial supply contract and what's more, it is the low bidder. Too low, some say.

The contract is for the supply and installation of four turbines at Hydro's Jockan Dam, an established supplier to Hydro, was second lowest at \$14,272,992 and Dominion Engineering Works of Canada was third at \$15,540,200.

An official of Dominion has stated the Russian bid wouldn't even cover the cost of the materials and has hinted that Ottawa is busily thumbing through its anti-dumping regulations with a possible view to blocking the deal.

The Russian bid, according to one reliable source, was among the subjects discussed between Premier Alex Colquhoun and Prime Minister Trudeau in Ottawa in October.

One account of the talks has it that

Kosygin linked the deal to Canadian sale of wheat to Russia — no turbine contract, less wheat.

Canadian, Japanese, — British and West German industrial suppliers are watching the situation with bated breath. They fear major losses of business if the Russian industrial machine goes on a trade rampage and, judging from the Russian turbine bid, with some justification.

Shrum, theoretically can only award the contract to someone other than the Russian firm on technical grounds — the Russian turbines have not been sufficiently proven, they don't meet the specifications, after-installation service would not meet acceptable levels, etc.

Unfortunately for Shrum, and possibly for Canadian wheat growers as well, Russians are not known as graceful losers and are almost certain to counter any technical objections with cries of gross discrimination.

Still, Shrum is expected to make his decision on technical facts and feasibility alone, and one way or another it is a decision which will ring around the industrial world.

He has one hedge which might make everyone happy, or unhappy: he could split the job and give Russia a contract for two turbines and the second lowest qualifying bidder the other two.

His grounds could be that the Russians have to prove themselves.

Meanwhile, Shrum's technical people are turning the midnight oil and fouring Russian turbine installations so they can give the facts he needs.

How are such facts arrived at?

Sun business writer Moira Farrow went behind the glass walls of the Hydro building and talked to the people whose job it is to serve them up to their waiting chairman.

Her article below tells what she discovered.

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DR. GORDON SHRUM
... the popping process

When is the higher price the lower price?

To find the answer, come with Moira Farrow as she explores the detailed world of bids and tenders

When is a \$824,091 turbine a better buy than a \$489,860 turbine?

That's the sort of high-price question B.C. Hydro is going to be asked in a few months when it acts as a purchaser and not a seller.

Seven companies decided to bid on the job and each paid \$20 for the tender documents. This is a non-refundable fee — it sometimes goes up to \$40 for a big contract — and its return is to be used for the purchase of the turbine.

So to get back to that turbine and government B.C. Hydro called for tenders in July, 1968, the bids closed in November. It was not until a month later in October that the contract was awarded in December.

And that, said Pratt, is a fairly typical time span for a big contract.

Books filled with columns of figures.

"That's nothing to what we sometimes get," said Stewart Peach, manager of Hydro's purchasing and supply department.

"On the contract for the Jockan Dam turbines, we got three boxes of documents for the high bidder."

issued by Hydro even list the rental rates for the contractor's equipment that will have to be used for extra work outside the rehabilitation of two old dams. The work took more than two years to complete and involved two separate construction contracts.

Drawing up the specifications for just one of these contracts, covering the power plant and the Jockan Dam, kept IPEC staff busy for about 100 man months. And their specifications were contained in three thick grey books — the first filled with 25 drawings, the second with contract conditions and the third with reference documents.

On their decision rests the success or failure, in economic and engineering terms, of power plants and multi-million dollar machinery.

This question was not hypothetical. It faced B.C. Hydro in 1968 when the company was considering the enlargement of the Jordan River power plant on Vancouver Island.

The first to get a crack at the long, grey column of facts and figures in B.C. Hydro's wholly-owned subsidiary, International Power and Engineering Consultants Ltd. (IPEC) in November.

"IPEC does the bulk of the technical review," explained Hydro project engineer John MacLeod. "The Hydro engineering people also review it."

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Every single computation is checked and rechecked for mistakes," said Pratt. "We look at all the bids, even the highest is studied closely because we may have to reject some bids for technical reasons."

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Canadians can buy back some of Canada

Much money's being put away, finds BILL FLETCHER

Canadians could, if they wished, help to fill the crying need of small businesses for venture capital and maybe even buy back some of this country held by foreign investors, principally Americans.

\$17.5 billion represents the public's savings. This overall pool has more than doubled over the last 10 years.

Added to this is another \$11 billion which individual investors have put into equities.

igger U.S. market. Third, better information and service from the investment community and better disclosure about stocks.

Hampson then added that the All-Canadian Dividend Fund has almost 90 per cent of its assets invested in the U.S. He was then asked if the All-Canadian Dividend Fund wasn't a misnomer.

Maybe the reason Canadians have left so much money in the bank is that they have become disenchanted with some of the venture capital ideas they have made through stock markets in the past couple of years.

"Too many companies have gone public without a satisfactory earnings record behind them. They were offered on a basis of 'glamour' in a tough market they didn't pay off and the investing public felt millions in cash on paper."

Statistics released by the Canadian Bankers' Association in its fact book show that Canada's nine chartered banks, at April 30 last, had 21.7 million deposit accounts representing just over \$30 billion.

The amounts held in pension and mutual funds can be forgotten about right at the start it was said. Neither participants in the field of venture capital. They deal only in investments that provide a return, or a hoped for return, on their money.

His answer: "Well, the owners are all Canadians and we felt that, for the owners, our job is to get the best marketable securities, and that at this particular juncture we feel we'll get the best returns for them in the American market."

Gill, Hampson now have to reorient his thinking with regard to Canadian investment? I asked him.

Should foreign holdings again approach 25 per cent, however, the ban will go on once more. In March, 1965 federal legislation was enacted forbidding the transfer of Canadian-held stock in an insurance company to a non-resident where 25 per cent of the firm's stock was held outside the country. At that time foreigners held more than one-quarter of Great-West's stock.

in addition to those deposited with the chartered banks by Canadians, the combination of money put into insurance and pension funds, plus the investment in mutual funds, has built up a \$22 billion pool of institutional capital, of which

"I think," said Finance Minister Brown, "the big problem is to have the money available for Canadians to buy. I think they want to buy and our savings rate is very high. We are going to have to move more and more toward public financing."

in an earlier interview Hampson said that the CDC will try to do things in the equity field that may otherwise not be done.

"We intend to invest in sound, profitable and growth-oriented companies... We see the CDC essentially operating and generally working with the private investment industry. We can see the CDC at times acting as a catalyst to help form new, Canadian-controlled, financial consortiums."

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