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MAR 4 2004



Votre référence - Your file

Notre référence - Our file

A-2003-00575 / td

Mr. John Cummins
Member of Parliament
Room 548, Confederation Building
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Mr. Cummins:

This letter is in response to your request under the *Access to Information Act* for:

"...Copy of all documents prepared for the Commissioner of the Coast Guard including all departmental documents received by the Commissioner in January 2004 involving Coast Guard hovercraft (in BC or Quebec)."

Attached please find the complete release package in response to this request. The exemption provisions s. 20(1)(b), 20(1)(c), 21(1)(a) of the Act have been applied to the package. A copy of the relevant sections is attached.

The *Access to Information Act* grants you the right to file a complaint with the Information Commissioner if you are not satisfied with our handling of your request. The address is:

Office of the Information Commissioner
112 Kent Street, 22nd Floor
Place de Ville, Tower B
Ottawa, Ontario
K1A 1H3

If you have any questions regarding this request, do not hesitate to contact Tanya Dagenais, at (613) 991-6645.

Yours sincerely,


Gary Lacey
Director
Access to Information and Privacy

Attach. Pages 1-11.

200 Kent Street
Ottawa, Canada
K1A 0E6

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JANUARY 27, 2004

MEMORANDUM FOR THE COMMISSIONER

**HOVERCRAFT CG-045 REPLACEMENT FOR THE PACIFIC REGION
PROJECT SCHEDULE SLIPPAGE - LONG TERM CAPITAL PLAN IMPACT**

(Decision Sought)

SUMMARY

- A hovercraft, currently named LIV VIKING, is being procured from Hoverwork Ltd. of the United Kingdom (UK) to replace CG-045. The hovercraft will serve as a back-up for Search and Rescue (SAR) taskings from the Canadian Coast Guard Base Sea Island, in Richmond, British Columbia.
- Over 50% of the work to modify LIV VIKING is complete and paid on the contract.
- Attempts by Hoverwork to resolve a contract schedule slippage, identified fall 2003, have failed. Provisional Acceptance (PA) in fiscal year (FY) 03/04 will not be feasible.
- Forecast project expenditures for FY 03/04 will be under-spent by approximately \$1M, i.e. 15% of the contract value.
- Approval is sought to reduce the project forecast expenditure to \$5,042.5K for FY 03/04.

Background

- Hoverwork Ltd., of the UK was awarded a 2.941ME contract (\$6.763M @ 2.3\$/£) August 5, 2003 to implement SAR modifications in an AP1-88/100S hovercraft named LIV VIKING. The project schedule delivered by Hoverwork forecast PA of the craft March 13, 2004 and Final Acceptance May 20, 2004. These two milestones represent 75% and 98%, respectively of the contract value. The forecast project spending was set accordingly.
- Although work commenced almost immediately in August 2003, it was apparent by the first progress meeting in early September 2003 that production was behind schedule by approximately two weeks. Hoverwork was requested to take necessary action to resolve the slippage, and advise as soon as possible how this was intended.

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- At the subsequent progress meeting in early November 2003, Hoverwork advised that production would be advanced to regain the schedule by reducing the holiday period over the coming Christmas/New Year season, streamlining of the test and trial schedule, and taking advantage of an additional monthly shipping run from Europe to Vancouver, British Columbia.
- Review of production by the Inspector for Public Works and Government Services Canada in mid-December 2003 revealed that Hoverwork had regained the schedule somewhat. However, on review in early January 2004, it was apparent that Hoverwork's attempts over Christmas were not successful, and production was approximately three to four weeks behind schedule.
- This production slippage was reviewed by the Inspector and the Project Manager with the Chief Executive of Hoverwork. He acknowledged the issue and the fact that PA would not likely occur this fiscal year.

Analysis/DFO Comment

- Claims number 1, 2 & 3 have been finalized and 50% of the contract value has been paid out as of January 5, 2004. This progress and pay-out is as expected by the contract.
- Claim number 4 for 10% of the contract value is expected to occur mid-March 2004, three to four weeks behind the contract schedule.
- Claim number 5 (PA) for 15% of the contract value is expected to occur mid-April 2004, again three to four weeks behind schedule.
- The impact of a late PA is a project spending shortfall of approximately \$1.0M (@2.3 \$/£) in FY 03/04.
- Attempts to maximize on spending the remaining funding forecast for this fiscal year (\$1,391.8K) continues, including advance ordering and acceptance of spares. Risk mitigation allocations for currency fluctuation (\$58.8K) and contingency (\$40K) remain as insurance. Spending is not intended unless required. They have been proportionally reduced with the forecast spending.

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Recommendation/Next Steps

- A strategy is being developed that will reduce the forecast project spending for FY 03/04 to \$5,042.5K, and reallocate the slipped trends of approximately \$1M within the Centre of Expertise.
- The later delivery will require the current SAR hovercraft to continue operations into late June 2004. There are no other operational impacts.

Dave Faulkner