

referred to a date which was given in error and your Committee reports that in fact consent, by telephone, was given by a departmental officer prior to the announcement.

An ancillary question is whether the \$50,000 payment qualified within the phrase "international relief purposes". When the Estimates item was before the Committee of Supply, the Minister in charge described it as a "legalistic item". The text originated in the Department of Justice and its view is that the phrase means relief which comes from a source in one country and goes to some place in another country.

The definition is not binding on your Committee but alternatives need not be explored because it is uncertain whether the vote item now has significance as it regulates only the distribution of the residue of the original Canadian National European Flood Relief Fund or, in dollars, approximately \$225,500. It is of record that the Department of External Affairs has participated in decisions involving \$270,513. To establish the present state of affairs, your Committee recommends that the Department of Finance decide whether the Government has any financial responsibility with respect to the undistributed balance held by the Red Cross Society.

Interest Payments to Contractors

The Auditor General drew attention to a group of small payments totalling \$5,530 made to twelve contractors engaged in the construction of Ottawa public buildings during the fiscal year 1957-58. The House of Commons had been dissolved in April 1957 before a main Appropriation Act granted supply for the year. As a result, a Treasury Board Minute of 1 October 1957 authorized the Minister of Public Works to pay these contractors interest at the rate of 5% on amounts due but unpaid because interim grants of supply were exhausted.

To safeguard the constitutional rights of Parliament, the Financial Administration Act stipulates that it is a term of every works contract that payments thereunder are subject to there being an appropriation for the particular services. However, an exceptional situation existed in that the Parliament Buildings, including the House of Commons chambers, had been placed at the convenience of the International Postal Union for a congress, a consequence being to delay the calling of a session of Parliament after the general election on 10 June 1957.

Your Committee therefore considered the cases from the viewpoint of what is reasonable and fair, taking notice of the problems of contractors as well as the constitutional rights of the House of Commons. Your Committee is of the opinion that, generally, the public interest will always be best served by requiring strict observance of the terms and conditions of contracts if for no other reason than that, when tendering for work, contractors presumably take into calculation the possibility of delays in payment. Your Committee is also of the opinion that, where a contractor demonstrates that a fair and reasonable profit was not made because of delay by the Crown in paying claims promptly as they mature, the Governor in Council might reasonably consider making an ex gratia payment after the contract is satisfactorily performed.

Cost-Plus Contract Awards

Early in 1953, the Government considered the proposal of the operator of a subsidized ferry service that the company construct a new ferry at an estimated cost of around \$1,100,000. The decision was to construct a larger ship at public cost (first estimated at \$1,500,000) and then charter-hire to the