

reflect changes in operating costs. This agreement suspended the original agreement, and resulted in an increase in the monthly rental to \$22,000 in January, 1970 and a slight reduction to \$21,500 in January 1972.

Following the closure of the base in September 1971, the Department in December 1971 declined an offer by the development company to terminate both agreements on payment of \$2,000,000. The monthly rental payments continued to be made under the terms of the lease, and for the year ended March 31, 1972, approximately \$220,000 was paid for unoccupied units.

During subsequent fiscal periods, rent for the unoccupied units continued, amounting to \$255,000 in 1972-73 and to \$235,000 in 1973-74.

These units remained unoccupied even though the local businessmen and elected officials of Gimli had approached the Department to open the units to civilians because of improving local conditions.

On February 27, 1974, the Department of National Defence entered into agreements with the principal mortgage holder of the housing project whereby for a payment of \$1,661,000 the Department obtained a complete release from its obligations.

Your Committee concludes that although the closing of bases and the shifting of personnel cannot be avoided, tighter administrative control in leasing arrangements on the part of the Department of National Defence is needed if such unproductive expenditures are to be avoided.

PARAGRAPH 59—Overdrawal of rations. (*See Minutes of Proceedings and Evidence, Issue No. 28, dated May 13, 1975*)

The Canadian Contingent draws rations which are paid for by the United Nations, from a local British Army supply depot. The United Nations underwrites the cost of these rations up to an amount equal to the British army ration scale. However, as this scale is below the ration scale of the Canadian Army, our Cyprus Contingent is authorized by the Department of National Defence to draw supplemental rations from the depot up to the equivalent of the Canadian scale and the extra cost incurred is reimbursed by Canada to the United Nations.

It was reported that the Canadian contingent of the U.N. Force in Cyprus between November 1972 and May 1973 overdraw its ration scale by approximately \$60,000. Charges were submitted to Canada by the United Nations for supplemental rations for this period.

When it was brought to the attention of the officials of the Department of National Defence, immediate steps were taken to investigate the matter. An interim departmental report revealed that some of the overdrawals were caused by members of other contingents eating at Canadian messes because of the superior meals.

Your Committee notes that the department has now discontinued the practice of issuing free meals to other contingents.

PARAGRAPH 60—Additional expense incurred because of error in specifications of winter caps purchased for Canadian Forces. (*See Minutes of Proceedings and Evidence, Issue No. 28, dated May 13, 1975*)

A contract was awarded in 1971 to a manufacturer for the supply of \$100,000 men's winter fur caps to the Department of National Defence. It was discovered that because of an error in the specifications, that delivery of 75,000 caps two sizes smaller was accepted by the Department.

The specifications were subsequently amended, but in order to meet requirements, a further 32,550 larger size caps had to be purchased in 1973 at a cost of \$102,000.

The Department of National Defence considered this expenditure as an outlay for future requirements and claimed that the wear life of one of these caps is six years. Assuming that 10,000 will be used annually for issues and replacements, the Auditor General estimated that there would be enough caps of the smaller size to last the next 30 years.

Your Committee recommends that the Department of National Defence exercise greater control in its contracting procedures and specifications.

PARAGRAPH 55—Local Initiatives Program. (*See Minutes of Proceedings and Evidence, Issues Nos. 29 and 31, dated May 15 and 27, 1975*)

Since its Second Report to the House on March 6, 1975, your Committee again reviewed the progress of the Local Initiatives Program under the direction of the Department of Manpower and Immigration and observed that certain changes to the criteria have been made and that corrective action to reduce the Program's shortcomings in some areas had been taken.

However, your Committee was of the opinion that the Department's officials must ensure that the Program's guidelines are properly observed; that simplified but adequate accounting records are maintained for all grants; that proper audit procedures are followed; that control measures are adopted to avoid the duplication of funds for the same project; and that tighter controls are enforced in those projects where improvements and benefits are made to private property.

PARAGRAPH 38—Irregular charge to Canadian Livestock Feed Board Account. (*See Minutes of Proceedings and Evidence, Issues Nos. 30 and 34, dated May 22 and June 17, 1975*)

During the fiscal year 1973-74, the Canadian Livestock Feed Board authorized special price assistance payments totalling \$822,000 to offset increased costs of livestock feeders who were forced to purchase feed grains at higher