

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF FINANCIAL ACCOUNTS

FORTY-FIRST REPORT

EXPENDITURE FROM ADVANCE  
TO THE TREASURER

COMMONWEALTH CONSOLIDATED REVENUE FUND FOR  
THE YEAR 1957-58

A. S. JAMES, Chairman

JOINT COMMITTEE OF PUBLIC ACCOUNTS

---

THIRD COMMITTEE

F.A. Bland, Esquire, C.M.G., M.P., (Chairman)

A.V. Thompson, Esquire, M.P. (Vice-Chairman)

Senator A.M. Benn	L.H. Barnard, Esquire, M.P.,
Senator the Hon. H.S. Seward (Deceased)	J.F. Cope, Esquire, M.P.,
Senator I.E. Wedgwood	F.J. Davis, Esquire, M.P.,
Senator H.W. Wade*	A.S. Hulme, Esquire, M.P.,
	H.A. Leslie, Esquire, M.P.,

The Senate appointed its Members of the Committee on 16th February, 1956 and the House of Representatives its Members on 22nd February, 1956.

\* Appointed by the Senate on 6th August, 1958, to fill a vacancy occasioned by the death of Senator the Hon. H.S. Seward.

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951 reads as follows :-

8. The duties of the Committee are -
- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the Audit Act 1901-1957;
  - (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
  - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
  - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question.

and include such other duties as are assigned to the Committee by the Joint Standing Orders approved by both Houses of the Parliament.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

FORTY-FIRST REPORT.

EXPENDITURE FROM "ADVANCE TO THE TREASURER".

Commonwealth Consolidated Revenue Fund  
for the Year 1957-58.

Table of Contents.

	<u>Page</u>
I. INTRODUCTION - The 1957-58 Inquiry	6
II. TOPICS OF SPECIAL INTEREST	
(a) Some comments on the level of expenditure from "Advance to the Treasurer"	8
(b) Variations under section 37 of the Audit Act 1901-1957	9
(c) The form of the Statement of Expenditure.	12
III. DEPARTMENTAL ESTIMATING	
(a) The implications of under-spending.	14
(b) The roles of the Departments and the Treasury	15
IV. SELECTED ITEMS WHICH HAVE BEEN THE SUBJECT OF ORAL EXAMINATION	
Prime Minister's Department -	
<u>Public Service Board</u> - Division 12C - Item 3 - Recruitment - Advertising and Item 4 - Instructional aids and films.	18
<u>National Library</u> - Division 14A - Item 1 - Salaries and allowances and Item 2 - Temporaries and casuals. Division 14B - Item 7 - Australian Bibliographical Centre and Item 8 - Printing and publications	21
Department of External Affairs -	
Division 22B - Item 3 - Embassy - Republic of France - Maintenance, Office and Ambassador's Residence.	24
Division 209K - Economic Assistance to support Defence Programme of South-East Asia Treaty Organisation member countries	25
Department of the Interior -	
Division 65C - Item 1 - Transport services for other Departments in Canberra	26
Department of Works -	
Division 72B - Item 18 - Fees of private architects and consultants	31

## Department of Works (Cont'd)

C.W.S. Division 14 - Item 4 - Losses on disposals of post-war stocks and material stockpiled for the National Service and Immigration programmes (for payment to credit of the Works Suspense Trust Account) 32

## Department of Immigration -

Division 117B - Item 5 - Payment for services performed by Government authorities including services under Immigration, Nationality and Passport Acts. 36

Division 122B - Item 3 - Migration Office - Italy - Postage, telegrams, telephones and cablegrams 37

Division 227A - Item 3 - Irish Assisted Migration - Item 4 - Maltese Assisted Migration - Item 6 - Dutch Assisted Migration and Item 8 - Austrian Assisted Migration 37

## The Defence Services -

Department of the Navy - Division 142 - Item 5 - Oil Fuel 41

Department of the Army - Division 152B - Item 5 - Rations 42

Division 156B - Item 6 - Royal Military College Duntroon - maintenance of transport vehicles and Item 7 - Rations 43

Department of Air - Division 169 - Item 6 - Freight and cartage 44

Division 172 - Item 3 - Mechanical and transport equipment 45

Department of Supply - Division 185 - Defence Research and Development, Division 194 - Buildings, Works, fittings and furniture and Division 196 - Maintenance 50

Acquisitions of sites and Buildings - Division 149 Department of the Navy, Division 164 - Department of the Army and Division 176 - Department of Air. 52

The Defence Works Programme 53

## V. SELECTED ITEMS WHICH HAVE NOT BEEN THE SUBJECT OF ORAL EXAMINATION

## Attorney-General's Department -

Division 59A - Item 3 - Conciliation and Arbitration Administration - Salaries and Allowances 58

Division 219 - Item 6 - Courts Martial Appeal Tribunal 58

## Department of Labour and National Service -

Division No. 126C - Item 3 - Ministry of Labour Advisory Council - Expenses 59

	<u>Page</u>
Department of Social Services -	
Division No. 225 - Item 5 - Building of homes for the aged - assistance to approved organisations	59
Sub-division E - Item 3 - Engineering Services for Telegraph Services	60
Department of Trade -	
Division No. 223 - Item 10 - Publication of "Australia Today" - contribution	62
Department of the Treasury - Government Printing Office -	
C.W.S. Division 6 - Item 1 - Purchase of machinery and equipment.	62
VI. OTHER ITEMS CONSIDERED.	64
VII. COMMENTS AND CONCLUSIONS.	67
VIII. DEATH OF SENATOR THE HON. H.S. SEWARD.	75
IX. ACKNOWLEDGEMENTS.	76

APPENDICES

	<u>Report Para No.</u>	<u>Page No.</u>
Appendix No. 1 - Statement submitted by the Department of the Interior on transport services for other Departments in Canberra	70	78

JOINT COMMITTEE OF PUBLIC ACCOUNTS

FORTY-FIRST REPORT

EXPENDITURE FROM "ADVANCE TO THE TREASURER"

Commonwealth Consolidated Revenue Fund  
for the Year 1957-58.

CHAPTER I

INTRODUCTION - THE 1957-58 INQUIRY.

Since the commencement of our operations late in 1952 a regular feature of Your Committee's activities has been the annual examination of the Supplementary Estimates - now replaced by the Statement of Expenditure from the Treasurer's Advance - and of variations under section 37 of the Audit Act. More recently the scope of these annual inquiries has been extended to embrace other aspects of the previous year's accounts.

2. Our first Inquiry was into the Supplementary Estimates for 1951-52 and took place in February of the following year 1953. During the last two years information about expenditure from the Treasurer's Advance has been available earlier than formerly and accordingly, Your Committee were able to commence their inquiries late in August and to present their Report to the Parliament early in October. This year the Government brought down the Budget for 1958-59 on 5th August, 1958, and this fact, together with the imminence of a dissolution of the Parliament, made it necessary for Your Committee to advance the date of their inquiries still further. We therefore sought the assistance of the Treasury, which, aided by a decision not to seek an Order under section 37 of the Audit Act 1901-1957, and by the cooperation of departments generally, was able to provide Your Committee with a draft, on 17th July, of the Statement of expenditure from Treasurer's Advance together with the departmental explanations.

3. A Sectional Committee, appointed by the Committee at its 135th meeting, met in Sydney on Tuesday, 22nd July and considered the Statement: those votes where final expenditure fell substantially below the estimate were specially examined with a view to selecting items for further investigation. Having made a selection the departments concerned were advised and arrangements were made for their representatives to appear before us.

4. Your Committee conducted public hearings on Monday, 11th, and Tuesday morning, 12th August, 1958, and also took further evidence in private from the Departments of Defence, External Affairs and Treasury on the morning of Thursday, 14th August. Those who appeared before Your Committee were as follows :-

Department of the Treasury	..	Mr. C.L.S. Hewitt, First Assistant Secretary. Mr. L.B. Hamilton, Assistant Secretary.
Public Service Board	..	Mr. H.C. Avont, M.B.E., Secretary.
Department of External Affairs	..	Mr. D.O. Hay, D.S.O., M.B.E., Assistant Secretary.

Department of the Navy	..	Mr. J. G. Beaumont, Assistant Secretary.
Department of Air	..	Mr. R. I. Cameron, Assistant Secretary. Mr. F. C. Sutherland, Accountant.
Department of the Army	..	Mr. W. H. Leng, Assistant Secretary.
Department of Supply	..	Mr. L. F. Bott, D.S.C.; Assistant Secretary. Mr. J. Curran, Director of Finance.
Department of Works	..	Dr. L. F. Loder, C.B.E.; Director-General Mr. H. F. Yoxon, Assistant Director-General.
Department of the Interior		Mr. W. A. McLaren, C.B.E.; Secretary. Mr. N. A. Simpson, Transport Manager.
Department of Immigration		Mr. A. L. Nutt, C.B.E., First Assistant Secretary.
National Library	...	Mr. H. W. White, Librarian.
Department of Defence	..	Mr. H. L. Fort, M.B.E., Assistant Secretary.

5. In recent years in the enquiries into the Supplementary Estimates and the Treasurer's Advance Your Committee have been increasingly interested in the under-spending of votes. This year, while still examining the more notable expenditures from the Treasurer's Advance we have directed special attention to those votes where final expenditure in 1957-58 fell substantially below the estimate. What we found has prompted Your Committee to consider departmental responsibilities in estimating and the implications of under-spending.

See paras.  
28 - 38

6. In Chapter IV we report upon some of the items which have been the subject of oral examination; while Chapter V is confined to recording those written explanations submitted by departments which we consider might be of interest to the Parliament.



## CHAPTER II.

## TOPICS OF SPECIAL INTEREST.

(a) Some comments on the level of expenditure from "Advance to the Treasurer"

7. The level of expenditure met from the Advance to the Treasurer and charged to other heads pursuant to section 36A rose sharply from the 1956-57 level of £3.7 m. to £8.6m. in 1957-58. The following table analyses the main categories of expenditure from the Advance over the last five years :-

Financial Year	Refunds of Revenue	Defence Services	Miscellaneous Services	Business Undertakings	Other	Total Ordinary Expenditure	Capital Works and Services	Total
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1953-54	0.1	0.9	0.5	0.9	1.0	3.4	0.7	4.1
1954-55	-	1.9	0.2	1.2	0.9	4.2	0.1	4.3
1955-56	-	2.5	0.1	3.1	1.1	6.8	0.5	7.3
1956-57	-	0.2	0.5	1.4	1.3	3.4	0.3	3.7
1957-58	-	5.1	0.2	1.5	0.8	7.6	1.0	8.6

8. One important reason for this rise was the decision not to seek an Order-in-Council in terms of section 37 of the Audit Act 1901-1957 for the financial year 1957-58. The use made of this section, which permits a surplus arising under one item to be applied in aid of another item within the same subdivision, has been the subject of comment by Your Committee from time to time. As a result of restrictions imposed by the Treasury some years ago the amount of these variations dropped sharply but continued to maintain a level of more than £2m. per annum. The following table shows both section 37 variations and Treasurer's Advance expenditure for the last five years and the relationship to total budget expenditure :-

Financial Year	Section 37 Transfers	Treasurer's Advance Expenditure	Total	Total Budget Expenditure	Percentage
	£m.	£m.	£m.	£m.	
1953-54	2.5	4.1	6.6	1,023	.65
1954-55	2.2	4.3	6.5	1,067	.61
1955-56	2.4	7.3	9.7	1,138	.85
1956-57	2.1	3.7	5.8	1,312	.44
1957-58	-	8.6	8.6	1,324	.65

9. Significant increases also occurred in the level of the calls on the Advance by the Defence votes - £0.8m. in 1956-57 (including section 37 variations) to £5.1 m. in 1957-58 - and by Capital Works and Services votes - £0.3m. to £1.0m.. In the case of the Defence votes the main factors were :-

- (1) substantial under-spending on the United Kingdom/Australia Joint Project with a consequent reduction in the United Kingdom contribution, in accordance with the agreement, from an estimated £2,996,000 to £312,021. The reduction in contribution was necessarily offset by a provision in the Additional Estimates of £710,000 and by £1,973,979 from the Advance to the Treasurer; and
- See paragraphs 126-128 below.

- (ii) the utilization of surplus funds from under-spent votes in votes where expenditure in excess of the original appropriation could readily be incurred - an example of this was the additional expenditure for £1.1m. to enable the purchase of residences for married service personnel.

See also paragraphs 129-132 below.

10. On the Capital Works side, the major item in the increase was an amount of £0.47m. representing losses on disposal of surplus stocks by the Department of Works.

See also paragraphs 87-91 below

11. Your Committee do not regard the level of expenditure from the Treasurer's Advance in 1957-58 as unreasonably high.

(b) Variations under section 37 of the Audit Act 1901-1957

12. The application of section 37 of the Audit Act is a matter to which Your Committee have quite frequently directed attention. Our second Report was devoted to the subject and in consequence the existing practices were varied to ensure more active control of the use made of the Section by departments. However, Your Committee were never satisfied with the new arrangements and, accordingly, in our Twenty-Fifth Report we recommended that the processes should again be reviewed, *kae* ing in mind :-

See paragraph 8 above

See Sixteenth Report, pages 8 & 9. Tabled 2nd November, 1954.

- (i) the desirability of making transfers only between related items; and

- (ii) the importance of submitting a request for extra funds to the Parliament for scrutiny whenever the request is out of the ordinary.

13. Last year, when discussing the increased use being made of the Additional Estimates the Treasury told us of its intention to examine carefully and in some detail the extent to which the use of section 37 of the Audit Act should be replaced by meeting expenditure from the Treasurer's Advance and subsequently obtaining the concurrence of the Parliament to the transactions. Later, in a memorandum dated 5th May 1958, the Treasury informed Your Committee that it anticipated an Order under section 37 would not be sought during 1957-58; this, in fact, proved to be the case. The Treasury said that the change would eliminate a significant amount of work at a time when there was a substantial call on the available staff. The proposed change was discussed briefly at a hearing on the 6th May and we again pursued the matter at the hearings on 11th August, 1958.

Minutes of Evidence to the Thirty-Third Report Q. 22

See Minutes of Evidence to the Forties Report, Qs. 88-100.

14. Perhaps the main effect of the change has been that duly authorised expenditure in excess of appropriation is now submitted to the Parliament in one document instead of two, i.e. in the Statement of Expenditure from Treasurer's Advance in lieu of both that Statement and the annual Report of the Auditor-General. It means too that all excess expenditure is now formally agreed to by the Parliament. The change has also relieved the pressure of work at a critical time of the year in both the Treasury and the Audit Office, and has enabled the earlier presentation this year of the Finance Statement, the Auditor-General's Report and the Statement of Expenditure from the Advance to the Treasurer.

15. Mr. G.L.S. Howitt, First Assistant Secretary, Department of the Treasury, and Mr. V.J.W. Skormer, Secretary and Chief Inspector, of the Audit Office, told us of the effects of the change in their offices :-

"(MR. HEWITT) It has a marked effect on our own domestic problems, which I do not want to put too high, but which, nevertheless, is of importance to me and my colleagues. It has been a very difficult season this year. ... It may be helpful to the Committee if I were to prepare and circulate a timetable comparing some of the dates for this year with last year and four or five years ago.<sup>2</sup> I do no more than just mention now the concurrent preparation of the documents for the 1958-59 Budget and the closing of the 1957-58 accounts; secondly, the completion by the Treasury of the Finance Statement for 1957-58 earlier than, I think, it has ever been completed before; and thirdly, the presentation to the Parliament and to this Committee of the printed statement of expenditure from the Advance to the Treasurer, which the Committee has not previously had for its deliberations.

Q.15

(MR. HEWITT) ... An example of the effect of the elimination of section 37 transfers is that one experienced officer would have been on the task for eight working days and was freed from that so that he could use the same time on this other document.

Q.18

(MR. SKORMER) There has been, in fact, considerable saving in audit work. It is very difficult to state in precise figures the amount of time involved, but with the section 37 transfers it was necessary for the Audit Office to check the individual transfers to see that they complied with the statutory requirements. In regard to the Treasurer's Advance transfers it is more or less a figure check, and that work would be done in the Treasury ledgers in any case, and has been done in any case. ... It facilitates early presentation of the Auditor-General's Report to the Parliament and this year it has in no small measure played a very important part in that work. ...."

Q.20

16. The time table submitted by the Treasury showing the dates on which various financial documents were made available to the Parliament illustrates the significant advances in recent years towards improving Parliamentary control of the purse.

	1954-55	1957-58	1958-59
Estimates of Receipts and Expenditure	18th August, 1954	3rd September, 1957	5th August, 1958.
Finance Statement and Auditor-General's Report	9th September, 1954	4th September, 1957	19th August, 1958.
Supplementary Estimates or Statement of Expenditure -			
(a) Proof available to Your Committee.	(Approx. mid-December, 1954)	12th August, 1957	17th July, 1958.

\* See paragraph 16

	<u>1954-55</u>	<u>1957-58</u>	<u>1958-59</u>
(b) Presented to Parliament	18th May, 1955	9th October, 1957	6th August, 1958.

§ Document relating to the previous financial year.

17. The Treasury also cast some doubts upon the legality of the practice whereby expenditure in excess of appropriation had been incurred in anticipation of a single Order-in-Council sought and obtained after the close of the financial year and suggested that the procedure followed prior to 1920 could have been more correct; then a department would seek an Order-in-Council approving a transfer during the course of the year before the additional expenditure was incurred. Q.23

18. There is at present no firm intention to repeal section 37 of the Audit Act; indeed the Treasury suggested that if circumstances arose, or look like arising (as they did some years ago), whereby the Treasurer's Advance would be over-spent, section 37 would be a means by which further expenditure in excess of specific appropriation could take place legally. As previously mentioned, Your Committee have always had some reservations about section 37; one objection of principle has been that there is no overall restriction in amount to the transfers which may be obtained: the section does, however, impose some limit upon the extent to which the control by the Parliament can thus be avoided. The experience of the last five years<sup>§</sup> supports a contention that the Treasurer's Advance of £16,000,000 operating in conjunction with the Additional Estimates, affords the Treasury and departments a reasonable degree of flexibility. Should the Advance to the Treasurer at any stage again prove inadequate it would be far better that the approval of the Parliament to incur additional expenditure should be obtained. Q.26

19. In all the circumstances, Your Committee are inclined to the view that the changes in procedures and techniques in recent years may well render redundant section 37 of the Audit Act in the opinion of Your Committee reliance on the Treasurer's Advance alone has quite distinct advantages.

20. There is one other phase of the change that calls for some comment. The Estimates of Receipt and Expenditure for the year ending 30th June, 1959, show under the column "1957-58 - Appropriation" the total of the appropriation provided in the original Appropriation Act, any Additional Appropriation and any amount charged to the head of expenditure in pursuance of section 36A. This follows the practice adopted in the Finance Statement.<sup>§</sup> Tabled 5th August, 1958.

21. The figures thus show the total appropriations required to enable the final level of expenditure to be attained and may frequently indicate the accuracy or inaccuracy of the original estimate. An excess appropriation may have been prompted by a desire to utilise under-spending under other votes. On the other hand, it might result from a considered decision to defer a particular project so that the funds might be re-allocated to a new and urgent project of which there was no knowledge at the time the estimates were prepared.

§ Your Committee have some reservations about whether a charge in excess of an appropriation made in accordance with section 36A can, or should be, regarded as a further appropriation - it is a matter we may find necessary to pursue at some other time.

§ See paragraph 9 above.

22. An example in 1957-58 of a wide disparity between the overall appropriation and final expenditure is the Defence Services. Appropriations (including allocations from Treasurer's Advance) totalling £202,263,001 were made during the year, but final expenditure totalled only £185,096,967. The initial appropriations amounted to £190,000,000. See also paragraph 104 below.

(c) The Form of the Statement of Expenditure.

23. One of the advantages Your Committee saw in the new arrangements for informing the Parliament of the allocations made of expenditure met from the Advance to the Treasurer was a saving in cost. The savings then envisaged have been realized, and there may be scope for still further reductions in cost and effort.

24. The form of the Statement follows that of the Supplementary Estimates, the measure replaced, and, like it, a substantial proportion of each Statement has been devoted to intricate and detailed variations in the Salary Schedule attached to the Estimates of Receipts and Expenditure for the year. Many of those variations have not involved cash expenditure from the Advance to the Treasurer. Mr. Hewitt explained the inclusion of the information in this way :-

"(MR. HEWITT) .... Basically (the Salary Schedule) shows the total number of permanent positions provided for the year in each department. After 1st July any change in the content of the Schedule, either by an increase in the number of positions or an increase in the salary classifications for the positions included in the Schedule, requires the provision of funds by the Treasurer in excess of the appropriation which is represented by the amount shown in the Schedule and the subsequent presentation of that to Parliament, either for appropriation in the Additional Estimates of Expenditure or in the present Statement. .... At the later stage of the Supplementary Estimates the practice was to bring together in the Supplementary Estimates - and it has now been carried over automatically into the Statement that you are examining - the changes that were made during the year in the Salary Schedule. .... The answer that I would offer at this stage to your question whether it is desirable .... to show this modification to the Salary Schedule which appeared in the main Estimates is, I think primarily contingent on whether or not the Salary Schedule in the main Estimates is to continue."

Q.550

The salary variations, therefore, reflect changes in the permanent organisation approved between the time of compilation of the original Salary Schedule and the end of the financial year even though additional expenditure in that year might not be involved.

25. The Statement does not legally amend the Salary Schedule: the retention of the detailed salary statement has, therefore, to be justified on the ground that it affords useful information. That it does is a matter of some doubt as, until now, more up-to-date information, including a detailed comparison with the previous year's establishment, has been available in the current year's Estimates. Q.574

26. Arising out of our discussions with Mr. Hewitt these points emerged as warranting inquiry :-

- (a) Should some of the salary information now recorded in the Statement of Expenditure be shown in the Additional Estimates;
- (b) can retention of the information in the Statement be justified on the grounds that it conveys useful information; and, if so,
- (c) can the information be reproduced in a less complicated and less expensive form.

Equally important is the question whether the inclusion of the Salaries Schedule, as such, in the Estimates of Receipts and Expenditure is valid.

27. The subject is a complex one and Mr. Hewitt expressed a desire to submit a considered opinion to Your Committee after a further investigation. We have agreed to this and have, accordingly, deferred further consideration for the time being.

Q.550

CHAPTER III

DEPARTMENTAL ESTIMATING

(a) The implications of underspending.

28. From time to time Your Committee have commented adversely upon the standard of estimating in some departments and we made the following general observations in our 33rd Report, presented to Parliament on 9th October, 1957.

"In many of the cases examined the standard of estimating was not satisfactory. If this reflects the general attitude of those departments, the proposals of the Government could be unfavourably affected.

Thirty-Third Report, pages 34 & 35, paragraphs 60, 63 & 64.

. . . . .

Underspending of votes was often a result of faulty estimating. It seemed that departments had often acted precipitately and without proper planning. Sums were included in the Estimates for projects which were in an embryo stage only and which, on subsequent investigation, proved to be impracticable or unnecessary or in need of substantial revision: in other instances departments were not in a position to proceed with projects in the year that the funds were sought and provided.

While Your Committee would be the last to discredit the value of second thoughts, we consider that the Estimates should clearly reflect the amounts the departments can reasonably expect to spend."

Bad estimating is by no means general amongst departments, but we found sufficient examples of it on this occasion to prompt us to examine the responsibilities of departments in this field.

29. As stated earlier in this Report, Your Committee, in recent years, have paid increasing attention to votes where expenditure has fallen well below the estimate. We have done this because underspending, equally as well as overspending, can indicate mismanagement within a department. A further reason for Your Committee's pre-occupation with this subject is that expenditure in excess of appropriation must be explained to the Treasury at some stage in the process as a condition of obtaining its approval to funds. There cannot be an automatic safeguard in the case of underspending.

See paragraph 5.

30. Our inquiries this year have again brought to light some notable examples of underspending and overestimating in the case of both small and large votes\*. The reasons given for them are many and varied. In some cases little care seems to have been taken to prepare a realistic estimate; in others, the bad estimate could be put down to ignorance of the principles of estimating, or alternatively, to bad judgment. "Over-optimism" was also a cause and, in certain cases, the possibility that an intentional inflation of estimates, or "window dressing" had occurred was not altogether dispelled by the evidence. At the same time, responsibility for the bad estimates did not always rest with the departments: some were the result of inaccurate assessments submitted to them by outside authorities.

---

\* For an earlier discussion on underspending and overestimating see Twenty-Fifth Report, paragraphs 31 to 35. Tabled 22/5/56.

31. Again, not all underspending is symptomatic of bad estimating. Some, we found, resulted from the introduction of more efficient methods or by calculated economy measures - a type of underspending to be applauded. In other cases there were unforeseeable delays in receiving supplies of equipment or services beyond the control of the department concerned; this type of underspending merely delays expenditure and no saving actually results. The type of underspending which is a product of poor management is not always easy to detect - the estimate itself may be a reasonable assessment of the situation, but the level of expenditure budgeted for is not reached because of inefficiency and lack of co-ordination within a department.

32. It may be claimed that the attention being paid by Your Committee to underspending may stimulate departments to exhaust their votes in order to avoid inquiry. True it is that unnecessary expenditure could be incurred to achieve that end, but any such action would be irresponsible, and would threaten the integrity and probity of the public service. In this context we record again views expressed by the United Kingdom Public Accounts Committee on this subject.<sup>φ</sup>

"... Your Committee nevertheless think it possible that, if departments were convinced that Committees of Public Accounts would deal with surpluses arising from bad estimating or other defects of procedure no more leniently than they had previously dealt with excesses, a higher standard of estimating might be achieved. They realise that there may be some risk, if this view is accepted, of departments spending more than is absolutely necessary in order to avoid showing a surplus at the end of the year, but they think that they can rely on the Treasury to check and on the Comptroller and Auditor-General to report critically any overspending of this nature. Present conditions have no doubt greatly increased the difficulties in estimating to which your Committee have referred: but they have also increased the desirability of precise estimating. Your Committee, therefore, while fully endorsing the view so often emphasized by their predecessors that departments should do everything in their power, including postponing or curtailing services, to avoid spending more than their grants, consider that in present circumstances more emphasis might well be placed on the necessity of estimating as accurately as possible the sums needed each year. In their view, large surpluses resulting from serious over-estimates of requirements may well be no less open to criticism in present economic conditions than small excesses, and they have been guided by this view in examining the excesses reported to them."<sup>φ</sup>

(b) The roles of the Departments and the Treasury.

33. Responsibility for the preparation of a department's annual estimates rests upon the department concerned and the Minister controlling the department. The starting point is a circular issued by the Treasury asking for the preparation of the estimates and their submission by a set date, and setting down certain principles to be followed in their formulation. Other instructions appear in the Manual of Treasury Regulations and Instructions and in special circulars issued from time to time on specific subjects. One fundamental concept is that the estimates submitted to the Treasury should show the estimated

---

<sup>φ</sup> For the earlier reference to this matter see Twentieth Report, paragraphs 11 and 12, Tabled 24/5/55.



cost of carrying out economically and efficiently the approved functions of each department and that no provision should be made for expenditure for which approval has not been obtained; <sup>¶</sup> It is a requirement of the Treasury that the estimates to be prepared shall have the approval of the Minister.

34. In the Treasury the estimates are examined to ensure that provision has not been made for functions which have not been approved; test checks are made on the basis of calculation to see that the standard of expenditure is reasonable, that it conforms to what is acceptable and that there has not been any unintentional over-provision by assuming events will occur that, on the balance of probabilities, are more likely not to occur. Discussions then ensue between the department and the Treasury when an attempt is made to agree on figures that can be regarded as the product of the best judgment that can be made of the likely expenditure during the year. Any points of disagreement are put to the Government at the appropriate time. Accordingly, the accuracy or otherwise of the annual estimates is very much a departmental matter and, it is not unreasonable to say that the Government, in reaching its broad decisions on the financial policy for the ensuing year, accepts the assessments of requirements submitted by the Treasurer and Ministers as a realistic, soundly based and well judged appraisal of the situation by the departments. Q. 48

35. The role played by departments in this field is, unquestionably, affected by the obligation placed upon Permanent Heads by section 25 of the Public Service Act 1922-1957 :

"(2.) The Permanent Head of a department shall be responsible for its general working and for all the business thereof and shall advise the Minister in all matters relating to the Department."

Your Committee discussed this with Mr. Hewitt:-

"COMMITTEE MEMBER. - Would you say, Mr. Hewitt, that the responsibility to submit accurate and soundly-based estimates to the Ministers and the Government lies on the department in the first place and on the Treasury in the second place? --- (MR. HEWITT) Yes, I would agree with that. It is primarily the responsibility of the Department to prepare its estimates and the responsibility of the Treasury to test-check them and reach agreement with the department on the reasonableness of the figure which the department has put forward for carrying out its functions." Q. 52

That some departments have failed to discharge this obligation effectively is evident from our inquiries.

36. We think these failures may be traced (a) to an attitude of mind towards the estimates and (b) to a lack of appreciation of the responsibilities of the department and the Permanent Head in this field. Your Committee are not seeking an impossible standard of accuracy in estimating but we do expect that in the interest of sound financial administration it be given the attention, the care and the judgment that usually characterize other aspects of a department's operations.

37. The Estimates of Expenditure are intended to indicate what is reasonably required to be spent during a specified period, and the way it will be spent, in giving effect to the Government's approved policy and programme. It is, therefore, important to the Parliament that they should be reliable. Furthermore, the Estimates, as submitted to the Government, should be realistic because of the effect that unrealistic estimates may have upon the allocation of funds.

<sup>¶</sup> Perhaps the best example of this in practice is the way in which the permanent salary requirements are assessed. - See paragraph 24 above.

An overestimate may result in the imposition of a higher rate of taxation than is necessary, while an underestimate may distort the results of the Treasurer's Budget. While an available overestimate may seem insignificant in relation to the total Budget, it can be of considerable significance in relation to the comparatively small segment of expenditure which can, if required be deferred until another year.

"COMMITTEE MEMBER. - Would you not consider that any unexpended departmental estimate could be of great significance in so far as the allocation of money between departments is concerned? --- (MR. HEWITT) Yes. There could be a substantial significance in the allocation of funds. I am not endeavouring to condone or support the presentation of inaccurate estimates." Q.64

38. Your Committee have found that consistently sound estimating is often the sign of a well organised and efficient department. The converse is also frequently true. The inferior estimating which has attracted our attention will not require a great deal of additional effort on the part of the departments concerned to overcome it. In the main it requires only the better appreciation of the principles and purpose of estimating and of the importance of sound financial planning to orderly and efficient administration. The introduction by the Public Service Board, in recent years, of conferences on financial and other management and the continued probings of the Treasury and Your Committee are some ways by which improvements are being effected. But the standard of departmental estimating will remain very much a matter for the departments themselves, and, in particular, the Permanent Heads upon whom the statutory responsibility rests.

CHAPTER IV

SELECTED ITEMS WHICH HAVE BEEN THE SUBJECT  
OF ORAL EXAMINATION

PRIME MINISTER'S DEPARTMENT.

Public Service Board.

Division No. 12/C -

Item 3 - Recruitment - Advertising  
Item 4 - Instructional aids and films

39. Votes for and expenditure from these two items in the last three financial years have been as follows :-

Item 3.

	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Vote	10,000	16,000	12,000
Expenditure	<u>12,756</u>	<u>10,814</u>	<u>8,828</u>
Underspent	-	5,186	3,172
Treasurer's Advance	<u>2,756</u>	<u>-</u>	<u>-</u>

Item 4.

Vote	2,800	5,000	5,000
Expenditure	<u>1,696</u>	<u>1,981</u>	<u>1,039</u>
Underspent	<u>1,104</u>	<u>3,019</u>	<u>3,961</u>

40. Item 3 - Recruitment - Advertising. Expenditure under this item is almost entirely devoted to press and radio advertising, the publication of booklets and posters and the participation in public displays of career information. The cost of a film produced for display in schools was met from this vote in 1956-57 and 1957-58.

Exhibit  
No. 41/5.

41. The underspending in the two years 1956-57 and 1957-58 has been allocated as follows :-

	<u>1956-57</u>	<u>1957-58</u>
	<u>£</u>	<u>£</u>
Careers exhibitions	1,600	-
Films	300	1,100
Press and radio advertising	<u>3,286</u>	<u>2,072</u>
	<u>5,186</u>	<u>3,172</u>

The Board contended that the forecasting of expenditure on recruitment advertising was difficult, because of unpredictable and uncontrollable influences, such as employment trends and the advertising activities of other employers.

42. The explanation submitted to us for the underspending of £1,100 on films in 1957-58 was as follows :-

" £800 was provided for the purchase of thirty-five copies of (a) film produced in the previous year. In this event it was found that the cost of these copies was covered by Films Division in the £2,700 paid in the previous year for the film production. Ibid

So far as was known, in framing the 1957-58 Estimates the original quotation for the film produced in the previous year still held, so that it would be necessary to provide a balance of £300. This also proved to be unnecessary."

43. Item 4 - Instructional aids and films. Funds for aids used in the Board's special training programme for more senior officers are provided in this vote. In general the aids consist of training handbooks, films, film strips and course programmes. The underspending has been divided under the following headings :-

	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>	Ibid
	£	£	£	
Handbooks	370	600	440	
Course programmes	40	-	201	
Film strips, etc.	540	169	240	
Miscellaneous	<u>154</u>	-	<u>80</u>	
	1,104	769	961	
Films	-	<u>2,250</u>	<u>3,000</u>	
	<u>1,104</u>	<u>3,019</u>	<u>3,961</u>	

While much of the underspending has been in respect of a film project, the balance of the vote has also been substantially underspent. The Board attributed this broadly to the difficulty of staffing the training organisation with suitable officers. We discussed this further with Mr. H.G. Avent, M.B.E., Secretary of the Board :-

"COMMITTEE MEMBER. - Your Department has been aware for some years of the difficulty in obtaining staff? --- Qs. 109 -  
(MR. AVENT) Yes. 111.

COMMITTEE MEMBER. - How many years would you say? ---  
(MR. AVENT) That situation has existed as long as I can remember, but more particularly since the postwar years.

COMMITTEE MEMBER. - Consequently you would base your requirements upon that difficulty in obtaining staff for the Public Service? --- (MR. AVENT) I think we must be permitted a little optimism in those matters. We have hoped, apparently against hope, that we would be able to get the staff."

The Board has been persistent in its optimism; in Your Committee's view the Estimates should reflect a realistic appraisal of the situation at the time.

44. The training film project, first provided for in 1956-57, was finally abandoned, the Treasury being advised to that effect in February, 1958. Mr. K.E. Grainger, C.B.E., a Commissioner of the Board, told us that the theme chosen had proved most difficult to treat in a film. He continued :-

"(MR. GRAINGER) .... We told the (News and Information) Bureau broadly the sort of thing we were driving at, and the film unit submitted to us a script aiming to give effect to it. That script was examined not only by our training unit, but by the Board itself, and we frankly felt that it failed to meet the point we wanted. That meant, not only could we not proceed with the production of the film and hence the expenditure in that year, but we had to say to the film unit 'We want you to treat this subject quite differently. Have another shot at the film'. With script writing, the points are brought home through speech and action. So there has to be a welding together of these things to drive home the point, and it takes an artist, as it were, to do that sort of thing. It is not the sort of thing that an ordinary clerk can do. So the film unit tried once more and again submitted a script. It was carefully examined, and again we had to reject it because we thought it was too close to some of the films we already had and which served the purpose. This new script still did not get to the real point. It was after further discussion with the unit that we came to the conclusion that the subject was not susceptible to film treatment. That is why in the end we had to abandon this film. .... As I said earlier, it was a guesstimate, some eighteen months ahead of the event, very often, and we honestly believed that the film unit would be able to produce an acceptable script. ...."

Q. 120

45. While the provision of £3,000 in 1957-58 was perhaps warranted because of the stage that planning had then reached, it seems evident that the provision of £2,500 in 1956-57 was quite premature. The alternative, and in the opinion of Your Committee what would have been the better course, was outlined to us by Mr. Hewitt :-

"(MR. HEWITT) .... I think the better course is to obtain approval to incur a liability, which enables a start to be made. It is not necessary to include the whole of the cost of the particular project in the year's appropriation, because in point of fact the cash requirement might not be reached during the financial year in question. That situation arose with the next item in the subdivision 12/0/5 - Typists-in-training. Apart from the earlier background of the discussion of the amount of the Estimates in 1957-58, and subsequent to the figure of £40,000, it was believed in December, 1957, that more funds were required. Additional funds for the typists' training scheme were sought but when that was examined in the Treasury against the level of expenditure to the 30th November it was thought that there would not be any need for additional funds. The problem was whether to incur the liability to take additional trainees into the school on the basis that, should further funds be required, they would be provided. In point of fact it turned out that they were not required but the proposal to increase the intake of typists was not held up because money specifically for that purpose had not been provided in the estimates over and above £40,000<sup>2</sup>. That is the only qualification I would offer."

Q. 126

X X X X X X X X X

---

2 This vote was in fact underspent by £5,551

46. The Public Service Board agrees that preparing estimates for these two items is a relatively simple matter. Though the disparities between estimates and expenditure have not been large in amount, in degree they have been substantial and illustrate how avoidable "over-estimates" can occur. In Your Committee's judgment a little more realistic approach by the Public Service Board would undoubtedly have produced better estimates. Q. 112

NATIONAL LIBRARY.

Division No.14

- Item A/1 - Salary and allowances  
Item A/2 - Temporary and casual employees  
Item B/7 - Australian Bibliographical Centre  
Item B/8 - Printing and publications

47. The National Library is under the administrative control of the President of the Senate and the Speaker of the House of Representatives but its votes are shown in the section of the Estimates devoted to the Prime Minister's Department. Q. 546

"COMMITTEE MEMBER. - You are responsible for the initial preparation of your estimates? --- (MR. WHITE) Completely so. The Prime Minister's Department has, of course, control over the greater part of the Estimates of the Library but exercises it only in a formal sense. The Prime Minister's Department, and now the Treasury, which is responsible for the accounting side of our Estimates, exercise no control over the budgeting in the first instance, nor in fact over the expenditure of it. Qs. 517 & 518.

COMMITTEE MEMBER. - You formulate your estimates. Do you submit them to the Prime Minister's Department? --- (MR. WHITE) Yes. They have never, in my recollection, been altered, except in relation to the Works Estimates."

48. Your Committee's interest in the National Library has derived from what clearly has been a poor estimating performance over a number of years. We did not traverse the whole range of Library votes but confined our attention to those matters where the disparity between the estimate and expenditure has been persistently large.

49. Items A/1 and A/2 - Permanent and Temporary Salaries and allowances. Votes for and expenditure from these votes over the last three years have been as follows :-

<u>14/A/1</u>	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>
	£	£	£	£
Vote	79,500	81,000	99,000	75,000
Expenditure	<u>62,267</u>	<u>72,354</u>	<u>68,177</u>	(?)
Underspent	<u>17,233</u>	<u>8,646</u>	<u>30,823</u>	<u>-</u>

<u>14/A/2</u>				
Vote	18,300	21,300	18,200	38,000
Expenditure	<u>34,926</u>	<u>35,311</u>	<u>36,336</u>	(?)
Section 37 Transfers	16,441	8,633	-	-
Treasurer's Advance	185	5,378	18,176	

50. Reference has been made in earlier Reports of Your Committee to some of the special considerations involved in estimating for salary votes<sup>24</sup>. The substantial errors made in estimating these two votes are related and are a product of a far too optimistic view over a period of years of the Library's ability to recruit and to retain permanent staff. Changes have been made in the Estimates for 1958-59, the provision under Item 1 being reduced by £24,000 and that under Item 2 being increased by £20,000; both sums being much closer to the level of expenditure in the previous three years.

51. In the written explanations submitted to Your Committee, and later at the public hearings, the Librarian, Mr. H.L. White, took much care to impress upon us the difficulties the Library was facing in obtaining and holding permanent staff. What surprised us was that although the Library has been well aware of these difficulties it has continued to prepare its estimates as though they largely did not exist. However, the Treasury has finally been able to persuade the Library to abandon its over-optimistic approach to the salary estimates.

"(MR. WHITE) I think I can answer Mr. Barnard's question by saying that over the years we have been more hopeful of filling the establishment which we think essential to our proper operations - and which has been agreed to by the Public Service Board - than the Treasury has. That the abandonment of our over-optimism, as far as obtaining permanent employees is concerned, is due to the fact that the Treasury has taken exactly the point of view which I overheard Your Committee take in relation to the department for which the last witness appeared. .... We recognise now that we have been over-optimistic as has been pointed out to us by the Treasury in the past on more than one occasion. The Treasury must be right because of the pattern that has developed. Q. 508

(MR. WHITE) As I indicated earlier, we have been continually optimistic in this matter but have responded always, and particularly in the present year, to the proper authority and greater experience of the Treasury using, as I well recall, the Treasury's reference to a 'pattern'. You cannot easily deny a pattern. Q. 520

COMMITTEE MEMBER. - The thought occurs to my mind that the Treasury might have suggested this alteration after you submitted your estimates, or did they make it after you got round to it in the current year? --- (MR. WHITE) I am not certain precisely whether we brought it to the Treasury's notice. How much was temporary and how much permanent in our original submission, I cannot recall. (MR. HAMILTON) We persuaded the Library to double temporaries and to take a greater amount off their permanents." Q. 521

52. Item B/7 - Australian Bibliographical Centre.  
Votes for and expenditure under this item have been as follows :-

	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>
	£	£	£
Vote	1,000	1,500	1,000
Expenditure	Nil	12.	(?)

<sup>24</sup> See the Sixteenth Report, paragraph 23, Tabled 2nd November, 1954 and the Twenty-Eighth Report, paragraphs 23-30, Tabled 4th October, 1956.

53. The Australian Bibliographical Centre was established early in 1956 to provide a secretariat for the Australian Bibliographical Council on bibliographical services, to collect and disseminate information on Australian bibliography, to arrange for carrying out bibliographical projects and generally to assist in the co-ordination and development of bibliographical activity throughout the Commonwealth. Administratively the Centre is part of the Commonwealth National Library, which has met all the costs so far incurred in its work. The salaries of staff are met from the salary votes of the Library, while the funds provided under Item 7 have been to cover general expenses including publications and the financing of approved projects on a basis to be determined in each case.

Exhibit  
No.41/28  
page 2.

54. The Centre is not yet in the fullest sense a going concern and it has not always been fully staffed. Most of the work in the first year, 1956-57, was directed towards outlining and determining future policy for the Council and itself. No bibliographical projects are yet ready for publication, although two major ones are currently being compiled and the Library hopes that the vote will be used this year.

Q. 528

"COMMITTEE MEMBER. - Do you anticipate that that vote will be used this year? ---- (MR. WHITE) I expect so. It may be that we will not use it all, but I do not know."

Q. 533

55. Results have shown that the provisions under this vote in 1956-57 and 1957-58 were quite premature; we do not consider it unfair to say that, had the established principles of estimating been followed by the Library, those provisions would not have been made. The evidence submitted to us indicates that the Library had no firm expenditure proposals in view.

56. Item B/8 - Printing and publications. Votes for and expenditure from this item have been as follows :-

	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>
	£	£	£	£
Vote	1,000	500	2,500	2,700
Expenditure	92	Nil	56	(?)

The Library submitted the following explanation to Your Committee:-

" Staff shortages and changes over recent years, both at the professional and typist levels, have delayed the preparation of copy for several works whose publication was approved some time ago. It was possible during the early part of 1958 to make substantial progress on certain film catalogues but they were not ready in time for the Government Printer to set up type during 1957-58. Again, the long illness of the scholar retained to carry out two special projects, namely, the editing of an important historical manuscript of Gregory King and the compilation of a calendar of the collection of manuscripts relating to economic, financial and social development in the United Kingdom during the 17th and 18th centuries, prevented the completion of these works and their submission to the printer before June 1958."

Exhibit  
No.41/28,  
page 3.

The Library, in preparing these estimates, chose to ignore the existence of circumstances, which, in general, indicated that expenditure at the level of the estimates would not be incurred. The Library now sees an alternative and preferable course:-



"(MR. WHITE) .... I do not know whether we discovered what follows or whether Treasury suggested it to us, but there is an answer that arises from the kind of thinking that arises ultimately from the work of Your Committee .... For example, we have discovered that the very simple answer to the question of publication is this: You must keep up your regular publications on which people wait, each month in our case. If you have something of great scholarly importance that can come out now or in three months or in twelve months, you wait until the publication is ready for the printer and then you seek the money. It took me a long time to discover that, but I am not a budget man.

Q. 537

COMMITTEE MEMBER. - You would say that there is now appreciation that there has been over-optimism in estimating? --- (MR. WHITE) I think that is fair enough."

Q. 538

X X X X X X X X X

57. It seems to Your Committee that the Library has had a mistaken view of the purpose of the Estimates; certainly it does not appear to have been seized with the need to prepare and submit a factual assessment of the year's probable expenditures. We note the changed attitude of the Library which should result in more satisfactory estimating in the future.

DEPARTMENT OF EXTERNAL AFFAIRS.

Division No. 22B

Item 3 - Embassy - Republic of Franco - Maintenance, Office and Ambassador's Residence

58. Votes for and expenditure from this item have been as follows :-

	<u>1956-57</u>	<u>1957-58</u>
	£	£
Vote	9,000	12,000
Expenditure	<u>6,575</u>	<u>4,897</u>
	<u>2,425</u>	<u>7,103</u>

59. This vote reflects the cost of maintaining the Australian Embassy office and Ambassador's residence in Paris. The bulk of the expenditure in each year has been incurred on maintenance and repairs with a balance of approximately £1,700 per annum being spent on fuel, power and other utilities.

Exhibit No.41/7 pages 1 and 2

60. The building was purchased by the Australian Government in 1950 for £57,450 but renovations and conversions had increased the capital cost to £95,000 by 1953. At the request of the Treasury a technical examination was made of the state of the building in 1954, which indicated that the facade, brickwork, woodwork and outside iron work, including the roof, were in poor repair. Further major repairs, initially estimated to cost £14,100, have since been undertaken. Although commenced during 1956-57, these have not all yet been completed because of delays by the architect, difficulties with estimates, and the frequent absence on conference duty of the responsible staff in the Embassy. The slow progress of this repair work is the essential reason for the underspending.

Q. 154

Exhibit No.41/7

61. Bearing in mind the extension repairs which are now necessary, Your Committee asked the Department whether a report was obtained before the building was purchased.

"COMMITTEE MEMBER. - Did you get an estimate of the cost of this building before you went into it? --- (MR. HAY) Of the cost, yes, but I do not think we realised in 1950 that we would be faced with repairs of this order to the roof and the facades. Q. 163

COMMITTEE MEMBER. - Did you get a report on the state of the building? --- (MR. HAY) Yes, in 1950, but it turned out to be misleading." Q. 164

In October 1957 the building was valued at 85,300,000 francs which, at the time, approximated £91,000 (Aust.). Q. 158

Division No. 709K -

Economic Assistance to support Defence Programme of South-East Asia Treaty Organisation member countries

62. Because of the nature of some matters associated with this vote, Your Committee determined that evidence should be taken on a confidential basis. We accordingly saw representatives of the Departments of Defence and External Affairs in private on 14th August, 1958, when the Department of External Affairs also submitted a confidential document\* to us.

63. From this vote is met expenditure under a programme of economic assistance to South East Asia Treaty Organisation (SEATO) countries. The programme provides for aid in the form of equipment, commodities and services needed by Asian members of SEATO for the support of defence programmes they are carrying out in accordance with SEATO pledges. Combat materials, such as weapons and munitions are excluded, but as the aid is related to the defence efforts of the countries concerned it is quite distinct from Colombo plan aid.

64. Although the vote is under the control of the Department of External Affairs it forms part of the Defence Estimates and the provisions so far made have been found within the overall grant available for defence. The estimates have been prepared by the Department of External Affairs, which has submitted them to the Defence Department for inclusion in the Defence Estimates. The Defence Department, which has the responsibility for allocating the funds made available for defence, told us that it has had a special interest in seeing that the vote was not overprovided because of the effect it has on the allocation of funds to other projects within the Defence programme. Q. 578-581 Q. 587

65. The appropriation first appeared in the Estimates for 1956-57; votes and expenditure have been as follows :-

	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>
	£	£	£
Vote	250,000	1,000,000	600,000
Expenditure	<u>25,852</u>	<u>164,471</u>	<u>(?)</u>
Underspent	<u>224,148</u>	<u>835,529</u>	<u>-</u>

\* Exhibit No. 41/29.

The provision of £250,000 in 1956-57 was in accordance with the request by the Department of External Affairs. The provision of £1,000,000 for 1957-58 was agreed upon after discussions between External Affairs and Defence about outstanding commitments and likely expenditure and was substantially less than the allocation first sought by External Affairs. Q. 589  
Q. 583-584

66. The amount sought by External Affairs for 1958-59 was again substantially higher than the final provision of £600,000. External Affairs admitted that the estimate submitted to Defence was a "very initial figure" and that they "were not unhappy to have (it) reviewed .... in order to arrive at a more realistic figure." Q. 594-597

67. Your Committee's investigations disclosed what appears to have been a remarkable unawareness of the principles of formulating estimates by the officers in the Department of External Affairs concerned with these estimates. There was a fundamental unsoundness in their approach which was also unsystematic.

"COMMITTEE MEMBER. -- I take it that the action of the Defence Departments in cutting down your first proposals really shows that they had a more realistic idea of what could be done than your Department had? --- (MR. HAY) I think that is correct; in terms of programming and with regard to expenditure of this kind they are more experienced than we are. So far as we were concerned, this was a new venture. It is not the same as the Colombo Plan, in respect of which we have a Branch which by now has some expertise, and from which one can expect reasonably accurate estimates. The Defence people came back .... and said, 'Why not set it out in the way we set out our programmes, giving the terms of commitment and anticipated expenditure?'. We did that and brought the figure down to £1,000,000. It was a more realistic figure, and it showed that we had initially estimated too high." Q. 600

Having regard to the substantial underspending for the years 1956-57 and 1957-58 Your Committee find it indeed surprising that the Department of Defence should have had to press for a drastic review of the proposed estimates for 1958-59. We were told that the vote of £600,000 as finally determined for the current year is the result of a careful study of the experience of the previous two years and a critical appraisal of the amount of expenditure expected for each project. This, of course, is the type of approach which should be adopted when formulating estimates; the failure to do so, as in this case, can have serious effects. Exhibit No. 41/29, para. 10.

68. It is clear that a considerable length of time has tended to elapse from the time when aid commitments have been approved, and before orders have been placed and goods delivered. External Affairs gave, as one reason for the inaccurate estimating poor judgment of the time involved in the procurement processes. Whether this was entirely the case or whether the underspending also reflects faults in the machinery of procurement is a matter which might be examined by the Treasury and the Public Service Board. Qs. 598, 599

#### DEPARTMENT OF THE INTERIOR.

##### Division No. 650 --

##### Item 1 - Transport services for other Departments in Canberra

69. This vote reflected the cost of motor transport for other departments in Canberra provided by the Department of the Interior. Motor transport for Members of Parliament and for the Department of the Interior itself has not been a charge against it. Votes for and expenditure during the last three years have been as follows :-

	<u>1955-56</u> £	<u>1956-57</u> £	<u>1957-58</u> £
Vote	88,000*	90,000	100,000
Expenditure	<u>94,998</u>	<u>98,426</u>	<u>107,610</u>
Treasurer's Advance	<u>6,999</u>	<u>8,427</u>	<u>7,611</u>

\* Includes £8,000 provided in the Additional Estimates.

As from 1st July, 1958, the cost of this transport is being met from the votes of the various departments, accounts being rendered for that purpose by the Department of the Interior.

Exhibit  
No.41/24

70. The explanation first submitted by the Department for the expenditure met from the Treasurer's Advance in 1957-58 was as follows :-

" As from the beginning of the current financial year there was an increase of approximately ten per cent in the hire rates for cars, with driver; from the Transport Section of this Department, but no allowance was made for this additional expenditure in the provision of £100,000.

Exhibit  
No.41/22  
page 1.

On 21st February, 1958, approval was sought for the issue of warrant authority 'pending Additional Estimates', in the amount of £10,000, but it was not forthcoming. This Department has no control over the usage of cars by other Departments and is not aware of any commitments against this Division until after the service has been provided. The final expenditure figure was £107,611; funds in the amount of £7,611 being provided from the Advance to the Treasurer."

Your Committee then sought more detailed information about a number of matters including rates of charge, the rise in costs and the reason why the additional warrant sought by the Department in February, 1958, was not issued. The further statement submitted by the Department appears in Appendix No. 1. This shows that the mileage cost of official transport in Canberra is well above that of other authorities and that the Treasurer and the Minister for the Interior both agreed that there seemed to be some unnecessary use of transport by Departments.

71. The procedure whereby Departments were not charged individually for motor transport was introduced during the early war years and was designed to save expenditure by reducing inter-departmental adjustments but a more stringent control over use of cars which was to have accompanied the change-over was not exercised. From the view point of control one of the faults of the arrangement was that trip dockets remained within the Department of the Interior. Departments therefore received no information about the use made of cars ordered by them nor of the cost involved.

Exhibit  
No.41/25

72. In July 1958 when advising Departments of the new accounting arrangements and drawing their attention to the increasing cost of Canberra departmental transport, the Treasury said :-

"Part of this very large increase has been caused by rising operational costs, but a substantial part of the increase has resulted from excessive use of car transport services. Accordingly, with the object of making Departments aware of

Ibid

the magnitude of the cost of transport services in Canberra requisitioned by them, and to enable them to exercise a more effective control over such expenditure, funds for these services will be provided under the control of the Departments concerned, as from 1st July, 1958."

73. The problem of avoiding unnecessary use of motor transport by departments is not of recent origin. In 1950 the Acting Prime Minister informed his Ministers that all action possible should be taken to ensure that the use of official transport was curtailed to the maximum extent consistent with the efficient functioning of departments. Responsibility for the use of cars, by officers in accordance with the approvals, was placed upon the Permanent Head personally, except in certain specified cases where the approval of the Minister was deemed necessary. In particular, the use of cars for transport of officers to and from work was prohibited where normal means of conveyance were available. An obligation was also placed upon the Department of Supply, which controlled the Central Transport Authority, to exercise the strictest supervision within the approved instructions over the use of cars. No reference was made to the Department of the Interior, in Canberra, which, however, already was responsible for controlling the vote from which the cost of departmental transport was met. The Prime Minister again drew attention to these general instructions in 1957 following references in the annual reports of the Auditor-General to the use of Commonwealth vehicles for private purposes.

74. Increase in wages and other costs is undoubtedly one of the factors which has contributed to the rising cost of Canberra departmental transport; another has been the growth and spread of departments in Canberra and the transfer of other departments to Canberra. But the effect of unnecessary or excessive use and the uneconomic use of transport on overall cost can be gauged from the evidence of Mr. L. B. Hamilton, Assistant Secretary, Department of the Treasury, and a member of the inter-departmental committee which reported upon Canberra departmental transport early in 1958.

"COMMITTEE MEMBER.- In your opinion, it has been excessive use rather than the increase in operational costs? --- (MR. HAMILTON) No, we would say this, that some substantial saving is possible in expenditure through eliminating certain use that is now made of cars. We have not been able to compare use over the years and conclude to what extent the rise in expenditure is due to excessive use, but we can say there is quite a room for saving now through cutting out some of the use that is being made.

Q.453

COMMITTEE MEMBER.- ... However, Mr. Hamilton, could you say whether the new arrangement whereby the Departments are being charged for transport has had any effect? I know that it is only in its very early days. --- (MR. HAMILTON) We sincerely hope it will have the desired effect. The Treasury has anticipated that to some extent. We were asked this year to provide £110,000 on the Estimates for Transport services in Canberra. In fact, we provided £82,900. We hope that expenditure will be kept within the Budget provision of £82,900, which is a substantial reduction on the £110,000 that we were asked to provide. Although it is too early to say, we understand that car running for the first fortnight in July - the only fortnight available so far - was some 10% to 12% below the same period of 1957. That may not be conclusive at all.

Q.460

COMMITTEE MEMBER. - Is it possible that, by the use of private taxis and a better control of the car services, a substantial saving could be made? --- (MR. HAMILTON) I think so far as the carrying out in isolation of car transport for departments is concerned, a substantial saving would be possible. Up to half the cost, I think, could be saved if it were possible in isolation to provide this service for departments by private transport. As Mr. McLaren explained this morning, other factors come into it. One is the integration of the bus service. It may mean that some of the saving would be offset by a higher loss on the bus service. It may also be that provision of cars for Parliamentary purposes as distinct from departmental purposes would also be more costly if the departmental services were wholly or partly provided by taxis. I would say that up to half the cost of departmental transport might be saved. There may be offsetting increased costs on the bus service, on the one hand, and on transport for Parliament on the other."

Q. 468

75. The motor transport pool in Canberra is geared to meet the peak demand which occurs during Parliamentary sessions. There are 62 vehicles in the Ministerial and passenger fleet and 360 special duty vehicles which are hired to departments without driver. The position with drivers is somewhat complicated as the following evidence given by the Transport Manager, Mr. N.I. Simpson, shows:-

Q.451

Q. 415

"COMMITTEE MEMBER. - Could you tell us the average number of drivers engaged on this work? --- (MR. SIMPSON) We have ten drivers whom we call 'inter-state car drivers'. They are full time car drivers. Besides that we have some 28 drivers whom we call 'spare drivers'. The spare drivers are engaged to stand in for drivers in the bus fleet who may be absent on furlough, sick leave, or for other reasons. When they are not required on those duties we use them on the cars. The problem arising is the variation of the demand on the car service. Parliament causes large peaks in demand which it would not be economic to employ men full time to meet. So we meet them by integrating the bus service and the car service."

Q. 417

COMMITTEE MEMBER. - You have 62 cars, 360 special duty vehicles, and 38 drivers? --- (MR. SIMPSON) No. It is not quite as bad as that. The 360 special duty vehicles are hired without drivers. The 62 cars are there to meet Parliamentary peaks and also special functions which are necessary because this is the Federal Capital. Those 38 drivers were only some of the drivers. As you can imagine, in order to meet the Parliamentary peak we bring in bus drivers on overtime. At these periods we might have up to 50 cars on the road at one time."

Q. 418

76. One of the results of designing the pool to meet peak requirements is the large component of "idle time" - 5.22d. a mile - included in the mileage charge of 2/6 a mile. Idle time in depot accordingly represents a substantial portion of a driver's day - Mr. Simpson suggested up to 30% maximum. In the Department of Supply pools, which operate in the States, this has been largely overcome by utilising the services of private operators at peak periods.

See Appendix No. 1 para. 10 Q. 430

" A further substantial economy has been the basing of the fleet strength below normal demand so that peak demands are met by contractors for hire car and goods transport services. In fact, 40% of the hire car demand is met by the employment of commercial operators. By this means the number of vehicles, the idle time of drivers and the overtime payments have been substantially reduced."

Statement No. 631 issued by the Minister for Supply on 28th Aug. 1958 page 5.

The present charge of these pools at 1/6 a mile is well below the Canberra charge of 2/6 a mile.

See  
Appendix  
No. 1  
para. 14.

77. The Department of the Interior informed Your Committee that the interdepartmental committee, established in 1957 to inquire into the use of departmental vehicles, had issued a report which was being considered by the Minister for the Interior; and that recommendations were expected to be submitted to the Government shortly. That being so, we concerned ourselves with inquiring how the present state of affairs had arisen and why steps had not been taken to correct a situation that was obviously unsatisfactory.

Ibid  
para. 3

78. It appears that for some years the Treasury has been pressing the Department of the Interior about the rise in expenditure on Canberra departmental motor transport and seeking assurances that every economy was being exercised in the use of cars and that no reduction in cost was practicable.

Qs. 454

"COMMITTEE MEMBER. - I asked Mr. McLaren, and I think it is only fair that I should put the same question to you: When the vote rose as substantially as it did, would not Treasury have had some overall responsibility at that point to call for a detailed examination of the items? --- (MR. HAMILTON) We have on numerous occasions taken it up with the Department and made certain suggestions to them. They have on every occasion assured us that no savings or reduction in costs were possible.

Qs. 455  
& 456

COMMITTEE MEMBER. - Whilst this excessive use of transport has developed, you suggest that the Treasury has never felt impelled to move and have a look at the reason for it? --- (MR. HAMILTON) We have, and I would say that the appointment of the committee arose out of our insistence that something further was necessary. In spite of the assurances we had had from the Department, we felt some further investigation was necessary, and I think out of our insistence emerged the committee that went into transport in detail."

79. So far as the Department of the Interior is concerned, the attitude of Mr. W.A. McLaren, C.B.E., Secretary of the Department, was that his Department was a supplier of hire cars and that its responsibility ended once it received an authorization. But he did admit that suggestions of lack of economy had been made for some time.

Q. 378  
Q. 350

"SENATOR WEDGWOOD. - If you felt that there was anything in those suggestions, would you feel that your department had a responsibility to bring those facts to the notice of your Minister or to some other authority who could take action?  
(Mr McLaren) --- Yes, but I do not just know to whose attention you would draw this sort of thing. But the lack of economy or assertions about the lack of economy would not be made unless perhaps there had been over-expenditure on the vote or something of that sort."

Q.354

80. The Department of the Interior was not just a channel, it was the department responsible for controlling the vote from which the cost of transport was met and, in the view of Your Committee, was under an obligation to ensure, within the means available to it, that expenditure under the vote was no more than necessary and that transport was being used economically and within the limits of the conditions laid down by the Prime Minister. The Department retained the trip docketts and was the only authority, apart from the Auditor-General, which was in a

position easily to investigate the use made of motor transport. It is our opinion that the Department showed a lack of initiative and a reluctance to take steps to correct a serious situation notwithstanding pressure from the Department of the Treasury.

81. However, basically, it has been the responsibility of the departments and the Permanent Heads concerned to control their own officers and their Department's use of Commonwealth motor transport. That the unnecessary, uneconomic and use for unofficial purposes continued at considerable annual cost in the face of instructions from the Prime Minister, the repeated criticisms of the Auditor-General in his annual reports and his comments at a conference of Permanent Heads in 1956, is a matter of serious import and reflects upon the user departments concerned.

82. Your Committee records that our inquiry was limited to departmental transport in Canberra and did not extend to the Department of Supply pools in other capital cities, which, since 1950, have operated on a substantially different basis.

DEPARTMENT OF WORKS

Division No. 72B -

Item 18 - Fees of private architects and consultants

83. Votes for and expenditure from this item in recent years have been as follows :-

	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>
	£	£	£
Vote	237,500 †	135,000	300,000
Expenditure	<u>165,751</u>	<u>120,334</u>	<u>175,881</u>
	<u>71,149</u>	<u>14,666</u>	<u>124,119</u>

† Includes £58,000 voted in Additional Estimates.

Reference is made to this subject in the Fifth Report of Your Committee, on the Department of Works. The Department told us then that it found it necessary at times to employ private architects and other private consultants to assist in the preparation of plans and the like.

Tabled  
6th Oct.  
1953, see  
paras. 32  
- 39.

84. We were informed that the estimates for this vote are prepared simultaneously with the draft works programme. In estimating, each Branch takes into consideration the potential of its own design and quantity survey staff, the nature of the projects and the availability of consultants to do the balance of work required to meet programme targets. Subsequent changes in the programme may vary the need for utilising private consultants and, accordingly, will affect the expenditure under this vote.

Exhibit  
No.41/12

85. The main reasons for the underspending in 1957-58 were :-

- (i) £70,000 was provided for the documentation and design of 380 flat units and 300 houses in the Australian Capital Territory but the changeover to the National Capital Development Commission caused the projects to be held in abeyance.

Ibid.



- (ii) Fees totalling £28,500, which had been provided for the planning and design of the Darwin High School, the Darwin Court House, and the Darwin Post Office, were not expended because the projects were not developed sufficiently by the sponsoring departments during the year - although at the request of these departments they would have been included in the approved Design List.
- (iii) Unforeseen delays occurred in furnishing data about certain work associated with the Weapons Research Establishment; a Department of Supply project for a hospital at Salisbury, South Australia, was also deleted from the programme.
- (iv) Proposals for quarters to be erected at Harman (A.C.T.) Naval Station were altered by the Department of the Navy and deferred until the 1958-59 programme.

86. Cancellation of projects by departments or substantial changes in concept result in the Department of Works being involved in unwarranted planning and design. In our Fifth Report, Your Committee drew attention to the amount of unnecessary work which the Department had been called upon to do because of the vacillation of departments; since then abortive design work has been reduced by at least 75%.

Op.Cit.  
para.26.  
Q.337.

Capital Works and Services Division No.14.

Item 4 - Losses on disposals of postwar stocks and material stockpiled for the National Service and Immigration programmes (for payment to the credit of the Works Suspense Trust Account).

87. This expenditure from the Treasurer's Advance, amounting to £265,574, has been necessary to offset the net accumulated loss in the Works Suspense Trust Account from the disposal of surplus stocks. Time did not permit discussions with the Department of Works but the Department gave us a detailed explanation. The following extract from that document sets out the reasons why this expenditure became necessary :-

Exhibit  
No.41/14.

" In the early postwar period, the Department of Works was faced with a difficult material supply problem in that there was an extreme shortage of building, construction and other materials coupled with a major building programme, particularly for Immigration and Defence (National Service) Works. In that period of shortage of building materials on the Australian market, the Commonwealth Government adopted a policy that materials for Commonwealth works should not prejudice State Housing.

Ibid,  
pages 1  
and 2.

In order to meet its commitments, the Department embarked on a course of forward buying of materials as a charge to the Works Suspense Account and built up fairly large store holdings by the following means -

- (a) Procurement of bulk quantities of materials from overseas sources;
- (b) Takeover of war-time surplus stocks - particularly spare parts for plant and motor transport. These were acquired mainly through the Commonwealth Disposals Commission.
- (c) Stockpiling to a lesser degree of certain local materials where it was advantageous to do so.

Subsequently, arising from Government policy, Immigration and National Service programmes were severely restricted and firm requisitions for works involving some millions of pounds were cancelled and other projected works included in the current programmes were not proceeded with. This resulted in considerable quantities of materials of a character suitable for such classes of works becoming surplus.

Another major factor contributing to surplus stocks was the purchase of large quantities of plant and motor transport spares. These were, in the main, taken over from the Disposals Commission or from the Services and were considered to be a good business deal particularly as, at that time, the Department was utilising plant units which had been in hard service for lengthy periods but which could not be replaced as new equipment was not then procurable on the market. Subsequently, of course, more modern units became available and naturally, in the interests of efficiency and lower constructional costs, procurement of new units proceeded.

Since 1953, the policy of the Department has been to step up the disposal of surplus stock-holdings and with the easing of market conditions has turned to purchasing on a direct supply basis. This policy has resulted in a considerable reduction of stock-holdings and is naturally far more economical from an operational viewpoint.

In recent years also there has been a marked increase in the usage of contract methods in preference to day labour methods in the execution of works in accordance with Government policy. This has also led to a greatly reduced requirement by the Department of construction materials. It should be mentioned, however, that every effort was made to include in contract specifications for available materials ex stock to be supplied by the Department with a view to the liquidation of surplus stocks that might otherwise be subject to deterioration or obsolescence. The changing character of the programme for temporary standards of accommodation to permanent forms of construction limited the application of this policy.

It is necessary to emphasise that the loss of £465,574 recorded under Division 14/4 in 1957-58 represents the net loss occurring over the whole range of disposal action occurring during the period since 1952.

As improved supplies became available, the practice of the Department has been to reduce stock-holdings and consequently effect economies in store-keeping operations. These holdings have been reduced from 5.2m. in 1952 to 2.2m. at present. This has been achieved by -

- (a) Stepping up the disposal of stock-holdings surplus to the foreseeable requirements of the Department, and
- (b) Procurement, wherever economical, on a direct supply basis rather than the replenishment of stock-holdings or supply ex store."

88. The stock-holdings of the Department reached a peak of £5,226,624 in 1952. The following table shows purchases direct to the job; purchases for stock-holdings and the average stock-holdings since 1947-48.

Ibid page 4.

<u>Year</u>	<u>Purchases to Jobs</u>	<u>Purchases for Trust Stocks</u>	<u>Average stock-holdings*</u>
	£	£	£
1946-47			
1947-48	1,864,000	1,136,000	1,000,000
1948-49	2,694,000	1,806,000	1,063,000
1949-50	4,341,000	5,159,000	1,623,000
1950-51	4,840,000	6,160,000	2,897,000
1951-52	6,599,000	4,462,000	4,450,000
1952-53	4,355,000	2,279,000	4,464,000
1953-54	3,178,000	1,737,000	4,001,000
1954-55	4,003,000	2,526,000	3,244,000
1955-56	3,963,000	3,219,000	3,026,000
1956-57	4,808,000	2,285,000	2,791,000
1957-58	4,534,000	2,361,000	2,724,000

Ibid, page 5.

\* Approximation only.

89. Surplus materials to the value of £1.5m. have so far been disposed of and other surplus materials valued at approximately £200,000 remain in hand. The total surpluses represent some 51% of all purchases for stockholding purposes made since 1947-48. Sales returns have ranged from just under 20% of the original book value for spare parts up to 50% on building and construction materials. The amount of £465,574 accordingly represents only a portion of the total loss made on disposal of these surplus materials, the remainder having previously been absorbed as an oncost charge.

90. One of the questions Your Committee asked the Department was why the return on the disposal of surplus stocks had been so low. We received the following reply :-

" In regard to the return from disposals, the position is that in fact prices have not risen greatly since 1952. The material in stock in the earlier post-war years was quickly consumed and the scramble for available materials meant that the Department, whose major purchases were in 1950-51 and 1951-52, had to pay the high prices ruling in those years. Also in those years of heavy demand and limited supply, when purchase was made in a seller's market, material had often to be purchased because of availability rather than because of its complete suitability for the requirement. When more suitable material ultimately became available, the demand for the earlier purchased material slackened and, in fact, after the recession of 1952, construction material became available much more readily than could have been expected.

Ibid. pages 5 and 6.

Much of the disposal loss was due to plant spare parts. In the post-war years, new plant was not available and there was heavy demand for second-hand plant almost irrespective of condition. This caused an even heavier demand for spare parts for reconditioning and maintenance of the second-hand plant and demand greatly exceeded supply. When Commonwealth Disposals were found to be selling to dealers and agents, parts required for Departmental plant, arrangements were made for the Department to have first refusal. This, however, carried the obligation that the Department could not pick and choose the parts required but had to take the complete parcel or box with the result that more items might be purchased than might be found to be needed. The alternative, however, was to obtain none and have plant and workmen possibly rendered idle as orders placed with agents for replacement parts often went unsatisfied for several months.

In these circumstances it was considered more economical to hold a reserve of spare parts, even allowing the possibility of ultimate obsolescence, than to have expensive items of plant remain out of commission and the works programme seriously retarded. When new plant became available, the old items which involved much heavier maintenance costs, were gradually replaced leaving the spare surplus and of course then in little demand. The loss on disposal was a necessary insurance cost against breakdown and idleness of the expensive plant pool.

In regard to the length of time taken to dispose of surpluses, one reason is the detailed work necessary in arranging distribution or sale. The material has first to be clearly admitted as a local surplus, then listed and offered to other Branches before the decision can be made that it is, in fact, surplus to the needs of all Branches. In some cases it is offered to other Departments and if it is to be transferred or sold it must then be listed in suitable form and boxed or crated if necessary.

The second factor is that it has been found unwise to offer large quantities at one sale, especially at small centres as better prices can often be obtained by offering in quantities suitable to local demand even if complete disposal is thereby delayed."

91. There can be a tendency for departments to "err on the safe side" with stores keeping and to retain stocks in excess of current or foreseeable requirements. Your Committee note that the Government has recently directed the Public Service Board to undertake a review of stockholdings in all Commonwealth departments.

Auditor-General's Report, 1957-58, paragraph 121.

DEPARTMENT OF IMMIGRATION

Division No.117E

Item 5 - Payment for services performed by  
Government authorities including services  
under Immigration, Nationality and Passport Acts.

92. Votes for and expenditure from this item have been as follows :-

	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>
	£	£	£
Vote	13,600 *	13,800	13,800
Expenditure	<u>8,532</u>	<u>7,009</u>	<u>(?)</u>
Underspent	<u>5,068</u>	<u>6,791</u>	<u>----</u>

\* Includes £7,000 voted in Additional Estimates.

93. During 1956-57 agreement was reached with the United Kingdom Foreign Office for the Commonwealth Government to pay for the services of staff of British Consular Offices attending to Australian immigration matters in certain European countries where there is no Australian representative. On the basis of information supplied by the United Kingdom authorities additional funds of £7,000 were sought and provided to cover the anticipated costs as from 1st July, 1956. However, the United Kingdom claimed only £1,881. £7,000 was again provided in the 1957-58 Estimates but claims totalling only £1,471 were lodged and paid. The vote for 1958-59 also includes £7,000 for those commitments.

Exhib. No.  
41/26.

Q.479.

94. We asked Mr. A.L. Nutt, O.B.E., First Assistant Secretary in the Department, why the accounts submitted had been less than would be expected. He said :-

"We are rather in the hands of the United Kingdom Government there. They were going to appoint additional staff to do this work, and the purpose of this amount was to reimburse the United Kingdom Government for the cost of the additional staff. I believe they have not yet appointed the additional staff; if they had they would have claimed for it..."

Q.472

".... We would not ask them why they have not made a claim. They are aware that if they do incur expenditure on our behalf they can claim for it. I am not suggesting this, but it might even be a change of mind. Normally you do not ask people when they are going to make a claim".

Q.475.

95. This is a case where, in the light of the experience of the previous two years and the Department's belief that the full additional costs are not being incurred by the United Kingdom authorities, it would seem appropriate to have regarded the "commitment" of £7,000 as far too indefinite to warrant a full provision in 1958-59 and to have recourse to the Treasurer's Advance should the full liability subsequently arise.

Division No. 122B.

Item 3 - Migration Office - Italy -  
Postage, telegrams, telephones  
and cablegrams.

96. In 1957-58 expenditure of £11,389 was incurred under this item against a vote of £16,000; the vote had been based on expenditure in the final quarter of the previous year. Expenditure in 1956-57 was £15,462 Exhibit No. 41/26

97. In this instance the underspending has been the result of deliberate economy measures introduced by the Department without loss of efficiency, and Your Committee commend it.

" During the financial year a review of administrative arrangements produced expenditure savings in various fields. This review resulted in economies such as the use of airmail letters in lieu of cables when notifying shipping movements and the use of Night Letter Telegram rates in lieu of normal cable rates in certain cases. Exhibit No.41/26.

Selection Teams absent on duty from headquarters were previously required to post selection documents daily to Rome. It was found possible to provide for the documents to be brought back by the Selection Teams when they returned to headquarters. This resulted in considerable savings in postage.

During the year it was also arranged that migrants seeking visas should forward an increased amount of return fee postage with their visa applications. This of course resulted in a further reduction in official postage expenditure".

98. The reduction in expenditure in 1957-58 was £4,073 which the Department has allocated as follows -

	£	
Cablegrams	reduction	2,767
Postage	reduction	1,520
Telephones	increase	214

"COMMITTEE MEMBER. - In these two cases, you would regard these as genuine savings, due to a better method of carrying out your work? Q.489.  
----- (MR. NUTT) Yes, Sir."

Division No. 227A.

Item 3 - Irish Assisted Migration  
Item 4 - Maltese Assisted Migration  
Item 6 - Dutch Assisted Migration  
Item 8 - Austrian Assisted Migration

99. Votes for and expenditures from these items have been as follows :-

Item 3 - Irish Assisted Migration

	<u>1954-55</u>	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>
	£	£	£	£
Vote	10,000	40,000	20,000	20,000
Expenditure	<u>8,701</u>	<u>18,290</u>	<u>11,052</u>	<u>8,456</u>
Underspent	<u>1,299</u>	<u>21,710</u>	<u>8,948</u>	<u>11,544</u>

Item 4 - Maltese Assisted Migration

	<u>1954-55</u>	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>
	£	£	£	£
Vote	174,000 <sup>k</sup>	108,500	100,000	60,000
Expenditure	<u>147,270</u>	<u>54,500</u>	<u>14,163</u>	<u>22,654</u>
Underspent	<u>26,730</u>	<u>54,000</u>	<u>85,837</u>	<u>37,346</u>

<sup>k</sup> Includes £74,000 voted in Additional estimates.

Item 6 - Dutch Assisted Migration

	£	£	£	£
Vote	315,000	644,000 <sup>l</sup>	608,900	430,000
Expenditure	<u>177,564</u>	<u>591,201</u>	<u>365,877</u>	<u>248,471</u>
Underspent	<u>137,436</u>	<u>52,799</u>	<u>243,023</u>	<u>181,529</u>

<sup>l</sup> Includes £106,000 voted in Additional Estimates.

Item 8 - Austrian Assisted Migration

	£	£	£	£
Vote	---	---	276,600	250,000
Expenditure	---	---	<u>141,073</u>	<u>113,442</u>
Underspent	---	---	<u>135,527</u>	<u>136,558</u>

100. Your Committee were informed that these estimates had been based on the immigration programme and the Department told us of some of the factors which make the drawing up of that programme a task of some complexity.

" Basically, the immigration programme is concerned with the human element and the free choice of the individual is a factor which must have an overriding effect on all immigration planning. For this reason alone estimates of movements in any one year from various individual sources can never be an exact science.

Exhibit  
No. 41/26.

The number of migrants whom we plan to receive in any period will, in large measure, be dependent upon the absorptive capacity of the Australian economy, both in the short and long term, and upon economic and other factors affecting the availability of migrants in the traditional emigration countries of Europe.

These two considerations lead to two further principles on which immigration planning is based.

Firstly there must be flexibility in programme planning so that the composition of the migrant intake is, at any one time, and so far as practical considerations permit, of the kind which will bring the greatest benefit to Australia.

. . . . .

As regards the second consideration - the availability of migrants in the source countries - experience has shown that immigration must be planned as a continuing process. In other words whilst on the one hand the character and composition of the planned

yearly programme can be adjusted to accord with changing economic conditions in Australia and in countries overseas on the other hand there must be stability in the level of the overall intake. So far as the total intake is concerned the Department's estimates have been remarkably accurate over the years.

To a varying degree, the rate of intake under the assisted passage schemes depends upon the rate at which personal nominations are lodged in Australia in favour of relatives and friends in the overseas countries concerned. The rate at which such nominations are received is directly affected by changes in the Australian economy, particularly in the housing and employment spheres. This is again a factor which cannot be forecast with accuracy.

The programme which is thus drafted is, before submission to the Minister, considered by the Immigration Planning and Advisory Councils whose members comprise leading and well informed figures in Australian industry, the trade-union movement, economics, law and commerce. Their recommendations are based on expert opinion and in many cases personal knowledge.

101. The Department submitted the following explanations in respect of each item -

Irish Assisted Migration

" In the case of Ireland (227/A/3), there has been no marked change in the actual migrant potential, although periodically the Republic has taken steps to reduce the urge and need of the Irish to emigrate. The shortfall, against the estimated movement, can be attributed largely to the increasing costs of passage on the sea routes. The Irish scheme is a unilateral programme; the Australian Government being the sole contributor towards passage costs, and the growing inability of the potential Irish migrant to meet the balance of the increased passage cost has been recognised. Corrective measures are being considered."

Ibid.

Maltese Assisted Migration

" The shortfall in Malta (227/A/4) on the other hand, is to some extent an indication of the effect which local political developments have upon the migrant potential. Until such time as the integration issue is resolved we can expect to find in Malta a diffidence on the part of otherwise potential migrants. The Maltese assisted movement, nevertheless, comprises mainly personal nominees, sponsored by Maltese already resident in Australia, and whilst such personal nominations continue to be lodged, appropriate provision should be made for their possible movement."

Dutch Assisted Migration

" The Dutch programme is one where we rely to a great extent upon the estimate of possible movement provided by the Netherlands authorities. The decline in the number of Dutch migrants in the past two years has been due in part to improved conditions in the Netherlands. Moreover, competition from Canada, where housing conditions are more favourable than in Australia has been particularly heavy but this has currently decreased. There is every



expectation, however, that the rate of movement from the Netherlands will now increase. In this respect the recent success of the Netherlands application to the U.S. Development Loan Fund, for a 3 million dollar loan to assist in the housing of Dutch migrants in Australia, should be an incentive."

Austrian Assisted Migration

" The shortfall in Austria in the last two years has, apart from the general considerations already dealt with, been the result of the impact of the Hungarian Refugee programme on operations in Austria. Whilst it was possible to provide for the inclusion of the quotas for Hungarian refugees in the overall programmes for the past two financial years, the operations which took place mainly in Austria, inevitably had their effect upon the administration of the normal programme in that country."

It is clear the Department was well aware of the difficulties facing achievement of their programme in these countries and we were concerned that over a period of years it had not translated this knowledge into practice in the estimates of expenditure for these items. After discussing this at some length with the Department, we reached the conclusion that there could be a difference between what the immigration programme quite legitimately portrays, on the one hand, and what the Estimates might be expected to portray on the other. It seems the programme in general represents a target - what the Government seeks, hopes, or would like to do but may not in practice achieve - and in formulating it, factors may be taken into account which would be ignored in the preparation of estimates of expenditure.

Qs.496  
and 499.

102. Whether the Estimates should faithfully translate the immigration programme into terms of expenditure is a matter to which the Department and the Treasury could give some thought. Certainly, on the evidence submitted to us, it seems that in the more recent years, more realistic estimates of expenditure under these items could have been expected.

THE DEFENCE SERVICES

103. From time to time Your Committee have found cause to consider various aspects of the Estimates for the Defence Services - in particular, we devoted our 29th Report to the subject. Substantial underspending of some Defence votes and recourse to the Additional Estimates and Treasurer's Advance for substantial amounts in respect of others during 1957-1958, has again drawn the attention of Your Committee to these Estimates.

Tabled  
30th  
October,  
1956.

104. Defence expenditure of £185,096,966 fell approximately £5,000,000 below the original vote and some £17,000,000 below the total of all appropriations approved during the year. The following table shows the position in more detail.

	<u>Original</u> <u>Vote</u>	<u>Gross</u> * <u>Appropriation</u>	<u>Expenditure</u>	<u>Unexpended</u>
	£	£	£	£
Defence	960,000	981,578	931,429	50,149
Navy	43,791,000	45,110,626	43,123,334	1,987,292
Army	57,389,000	59,418,521	56,852,675	2,565,846
Air	58,021,000	62,886,082	55,374,188	7,511,894
Supply	15,318,000	19,010,303	15,909,633	3,101,670
Defence Production	12,372,000	12,699,548	11,958,735	740,813
Other	2,149,000	2,156,343	946,972	1,209,371
	<u>190,000,000</u>	<u>202,263,001</u>	<u>185,096,966</u>	<u>17,167,035</u>

\* Includes original appropriations, additional appropriations and expenditure from the Advance to the Treasurer.

105. Being part only of our Inquiry into expenditure from the Advance to the Treasurer and the 1957-58 accounts, Your Committee have not made any attempt to traverse Defence expenditure as a whole. However, the inquiries we have made have disclosed that many of the unsatisfactory features associated with the Defence Estimates and reported in our 29th and earlier Reports still exist.

Division No. 142

Item 5 - Oil fuel

106. The vote for and expenditure from this item in 1957-58 were as follows :-

	£
Vote	1,548,000
Expenditure	<u>1,757,165</u>
Treasurer's Advance	<u>209,165</u>

The cost of oil fuel requirements of naval ships and auxiliaries and naval establishments is met from this vote. The excess expenditure met from the Treasurer's Advance has been allocated in the following way -

	£	Exhibit
Oil fuel purchases	150,000	No.41/9
Claim by the Admiralty	<u>59,427</u>	
	209,427	
<u>Less minor adjustments</u>	<u>262</u>	
Treasurer's Advance	<u>209,165</u>	

107. Oil fuel purchases. We were told that appreciable inroads into the Navy's normal peace-time stocks of oil fuel had been made in recent years because of reductions in successive Naval estimates. In the draft estimates for 1957-58, Navy initially provided for the purchase of 25,000 tons of oil fuel but, when the overall amount allocated to the Department was some £1,080,000 less than the amount first sought, the Navy reduced the provision to purchase 10,000 tons only. Ibid.

108. By May, 1958 it was evident that the overall allocation to the Navy would be underspent and approval was then sought and obtained from the Treasury to purchase an additional 15,000 tons of fuel, the equivalent of the earlier reduction. The expenditure involved was £150,000.

109. Claim by the Admiralty. During 1957-58 a claim for £59,427 was received from the Admiralty in respect of oil fuel supplied to the Fourth Submarine Squadron during the period October 1949 to 31st March 1955. Under the terms of an agreement with the Admiralty, the Commonwealth is liable for maintenance services in excess of the normal running costs of the submarines. However, the Navy has no knowledge of what the normal running costs for a submarine are, nor did they think charges by the Admiralty would be made.

Ibid.

110. In our 20th Report Your Committee gave consideration to problems which had arisen in connection with payment under arrangements made with the Admiralty and one of the examples we then considered, which dealt with the payment of allowances to Royal Navy personnel attached to the Submarine Squadron in Sydney, was similar to this. On that occasion Your Committee considered that careful attention should be paid to the recording of liabilities in the accounts of the Department of the Navy and that endeavours should be made to have more up-to-date accounting arrangements made with the Admiralty.

Tabled  
24th May,  
1955, see  
paras.  
117-118.

111. Although some action on the lines mentioned was taken, Your Committee suggest that the matter might be pursued further with the Department of the Navy by the Department of the Treasury.

See Treas-  
ury Minute  
to 20th  
Report;  
27th Report  
page 47,  
para.22.  
Tabled  
9th April,  
1957.

Department of the Army

Division No. 152 B  
Item 5 - Rations

112. This item records expenditure for the purchase of rations for members of the Australian Regular Army, the Citizen Military Forces, National Servicemen and Cadets. The vote and expenditure in 1957-58 were as follows :-

	£
Vote	1,935,000
Expenditure	<u>1,706,656</u>
Underspent	<u>228,344</u>

The department attributed the underspending mainly to the following factors -

Exhibit No.  
41/16

- (a) the actual strength of the Citizen Military Forces and National Servicemen were less than anticipated when the estimates were prepared; and
- (b) the actual average cost of the rations per man (69.318 pence) was 4.615 pence less than the estimated value (73.933 pence) upon which the estimates were based.

113. The rate of 73.933 pence had been obtained by costing the basic items of the ration. We were told that this basis of estimating had seemingly worked well in the past, but it was only because rising commodity prices had obscured a slight inflation of the average cost produced by the method of calculation. In preparing the estimates for 1958-59 a more exhaustive system was used, based on the recommendations of statistical experts.

Division No. 156B

Item 6 - Royal Military College, Duntroon - maintenance of transport vehicles.

Item 7 - Royal Military College, Duntroon - Rations

114. Votes for and expenditure from these two items in 1957-58 were as follows :-

	<u>Item 6</u>	<u>Item 7</u>
	£	£
Vote	16,000	55,000
Expenditure	<u>7,593</u>	<u>41,996</u>
	<u>8,407</u>	<u>13,004</u>

115. One of the reasons for the underspending of item 7 was that the number of Cadets did not reach expectations during 1957-58. However, a further reason, and the reason for the shortfall in expenditure under item 6, was that provision was made for the continued attachment of a Construction Squadron of the Royal Australian Engineers to the Royal Military College. However, the field squadron was disbanded and its personnel transferred to a mobile regular brigade group then being formed. Exhibit No. 41/16. Q.209

"COMMITTEE MEMBER. - The formation of the brigade group did not just happen in July? It was thought of before then? --- (MR. LENG) Yes. I would agree that this should have been foreseen. Qs.210-212.

COMMITTEE MEMBER. - What consultation occurs before the estimates are prepared? --- (MR. LENG) In this case, the estimates would have been prepared by the Royal Military College and submitted to Army Headquarters where it would first have been examined by the General Staff. Then it would go to the Secretary's Branch for final vetting. It should have been picked up by the General Staff and, if not by them, by the Secretary's Branch. This is a period of the year, of course, when everything happens and errors sometimes slip through.

... (MR. LENG)... Since this has been discovered we are making arrangements for much more detailed justifications to be prepared by the Royal Military College so that our finance people will be able to recognize things like that more easily."

Department of Air

Division No. 169 - General Services

Item 6 - Freight and cartage

116. This vote provides for :-

Exhibit No.  
41/19, page  
3.

- (a) the cost of movement of Air Force equipment;
- (b) the hire of transport from the Department of Supply; and
- (c) the removal of furniture, etc. for Air Force and civilian personnel.

The vote and expenditure in 1957-58 were as follows :-

	£
Vote	670,000
Expenditure	<u>457,425</u>
Underspent	<u>212,575</u>

117. £140,000 of the underspending of £212,575 related to a proposal to move No. 5 Airfield Construction Squadron from Darwin to Laverton, Victoria. However, the Squadron has not yet completed the Darwin Airport project on which it has been engaged since 1st June, 1955. Your Committee gave attention to the work of this Squadron in our Thirty Seventh Report concerning the Northern Territory Administration. We then recorded that initially it had been planned to complete this project by December 1957, but that the Department had advised us in May, 1958, that the estimated date of completion was March, 1959. The Department then explained that the delay had resulted from additions to the scope of the work, shortage of manpower, unexpected difficulties in quarrying and crushing rock, undue wear to crushing machinery and delays in the supply of spares for the construction equipment. However, these problems and changes were not of recent origin; Your Committee had been informed of them when we inspected the project on 7th July, 1957.

Tabled  
14th May,  
1958,  
paragraphs  
249 to  
258.  
Ibid,  
para-  
ph: 253.

118. Mr. R.I. Cameron, Assistant Secretary, Department of Air, told us how this estimate would have been established :-

".... In this case, the £140,000 was advised to the finance people - the Estimates people - by the movements control officer, who obtained this information from, I would say, in the main, the Director of Works and Buildings. Possibly he had some recourse also to the G.O. of the squadron, who would possibly give the latest thoughts as to when the squadron might have come out."

Q. 278

We are quite satisfied on the evidence and from our knowledge of the subject that, had the situation in Darwin been properly appraised by the Department when preparing and finalizing the 1957-58 estimates, this provision would not have been made.

Division No. 172 - Equipment and Stores

Item 3 - Mechanical and transport equipment

119. The vote for and expenditure from this item in 1957-58 were as follows :-

	£
Vote	1,250,000 *
Expenditure	<u>896,737</u>
Underspent	<u>353,263</u>

\* Includes £60,000 voted in Additional Estimates.

120. The Department of Air gave these reasons for the underspending :-

(a) the preparation of specifications for new type transport equipment being introduced into the Royal Australian Air Force was delayed resulting in orders being placed with contractors too late in 1957-58 to achieve the programmed expenditure; and

Exhibit  
No. 41/19.

(b) A provision of £180,000 against an existing order outstanding at 30th June 1957 and a follow-on order placed in 1957-58 for Aircraft Fire Crash Vehicles was not spent because of faults which developed in the prototype.

Q. 300

We discussed with Mr. Cameron why these amounts had been included in the Estimates when details of specifications had not been finally determined.

"COMMITTEE MEMBER. - The specifications then had not been prepared? --- (MR. CAMERON) Some had and some had not been finalized, but it was anticipated that specifications would be completed in time to allow the ordering. This matter has been given considerable thought in the department, and arising out of this and similar types of expenditure falling down, a rule has now been established that no provision will be made in the estimate until the specifications are more or less one hundred per cent completed.

Qs. 302-  
304.

COMMITTEE MEMBER. - You see the point I am driving at - in the preparation of all these estimates the situation was that the Service was in fact not realistic. Who ever anticipated that these specifications would be ready - whoever was responsible for that information - was not in the sense of the preparation of the estimates competent in that narrow sense. I am not referring to competency as with a tradesman, I understand that that has now been corrected? --- (MR. CAMERON) We are endeavouring to correct it. We may be running contrary to the technical side, but the Secretary is attempting - and he is backed up by myself and the programming committee - to not accept and make provision in the Estimates for equipment that has not reached that specification stage.

COMMITTEE MEMBER. - That is, of course, the point underlying these questions by Mr. Leslie and myself: Intrusion of the technical side of a Service into the preparation of the Estimates? --- (MR. CAMERON) I think that is unavoidable to a large extent. But we just cannot disregard them. I would be very loath to think we were not very helpful to them and I am afraid this is going to raise a little bit of difficulty in Estimates in the future. But as far as possible, that is the attitude of the Department at the moment."

X X X X X X

121. Your Committee's inquiries into this and other votes under the control of the Department of Air illustrated to us some of the problems facing the Department's Finance Branch in preparing realistic estimates of expenditure. Quite clearly problems of co-ordination still exist.

"COMMITTEE MEMBER. - There is an impression gained by anyone who studies these documents that many of these estimates are based on a schedule prepared finally on the highest level in any department, and that that schedule having been prepared, the Estimates are prepared and submitted on that basis. There is doubt whether at the time the Estimates are prepared a current check is made on the possibility of the schedule of movement or construction, or schedules of any sort, being carried out. In your reply to my earlier question you said that inquiries are made to check the schedule? --- (MR. CAMERON) Yes.

Qs.279,  
280 and  
308.

COMMITTEE MEMBER. - And these discrepancies still occur? --- (MR. CAMERON) They can still creep in. Again referring to inquiries, we have our Programme Committee in the Department. Before any attempt is made to collate the material and put it into estimates form, the branch requirements are gone through very thoroughly by our own people on the finance side, and if we are not satisfied with the information that has been produced, we can call upon - and we do call upon - the people who are responsible for producing that schedule or programme, as you indicated. We have them there, and we go through their schedules item by item until we are satisfied that it is as good as we can do. We spend perhaps half a day - perhaps more - on this type of thing, with each individual coming along and more or less giving evidence before our Programme Committee.

COMMITTEE MEMBER. - Speaking of the Defence section, if any alteration takes place, or the Government thinks that an alteration should take place, that would upset your estimates of probable expenditures? --- (MR. CAMERON) Yes, very definitely, and not only from the higher authorities, but in our own Department. There may be a change in the position of Chief of the Air Staff, and the new chief may have different ideas from his predecessor. While there may not be any drastic change, until his new ideas are thrashed out, we do have difficulty in saying whether we are going ahead with 'his or that. These difficulties do arise from time to time, and while we do our best they can affect our Estimates considerably."

Division No. 173 - Purchase and Manufacture of Aircraft

122. This vote provides for the procurement of aircraft for the Royal Australian Air Force both in Australia and from overseas sources and of modifications for aircraft and airborne equipment. Two elements form the basis of the estimate - the Department of Air assesses the fund requirements for aircraft and aircraft modifications procured overseas, while the Department of Supply is generally responsible for the estimates of expenditure on projects under construction in the Australian aircraft industry. The vote and expenditure in 1957-58 were as follows:-

Exhibit No.  
41/19.

	£
Vote	10,510,000
Expenditure	8,109,614
Underspent	<u>2,400,386</u>

123. Overseas procurement represented approximately £3,000,000 of the total vote and actual expenditure was within £31,000 of the Estimate. On the other hand, the estimate of expenditure on local production of £7,504,000, was £2,369,000 in excess of the final expenditure. More than 50% of the underspending related to a project for 21 Sabre fighters, for which a provision of £2,155,000 was made. The Department of Air provided us with the following explanation for the over-estimate: -

" In September 1957 an order valued at £6,697 m. was placed with Commonwealth Aircraft Corporation through Department of Supply for the production of a further 21 Sabre aircraft. The estimated expenditure of £2.155m. in 1957-58 was advised by Department of Supply as the funds that would have to be spent in 1957-58 to meet the agreed delivery schedule.

Exhibit No.  
41/19,  
page 11,  
paragraphs  
46 and 47.

Before local production could commence Department of Supply had to obtain deliveries of raw materials and Government Furnished Equipment from overseas - and the estimate was framed on the basis that these deliveries could be readily obtained. However, it subsequently transpired that overseas deliveries were not so readily available and slower deliveries resulted in a corresponding lag in expenditure. All these factors contributed to the under-expenditure of £1.251m. as recorded in Department of Air records."

124. In our 29th Report Your Committee recommended that "the relations between the Departments of Defence Production and Supply and the Service Departments ... be examined with a view to ensuring the estimates presented to the Parliament are as realistic as possible."

Tabled 30th  
October,  
1956, para-  
graph 122.

125. A memorandum since received from the Department of Supply indicates that the Sabre estimate was determined after consideration by a working party on which the Departments of Supply and Air and the contractors were represented: -



"... The comments as presented to your Committee by the Department of Air are noted and are accepted by this Department as a fair summary of the position from the point of view of that Department.

The background to the approval by Cabinet of the extension of the Sabre project will already be known to your Committee i.e. the arising of circumstances during the visit to U.S.A. of the McBride Mission in mid-1957, which made it undesirable to continue the planning for the replacement of Sabre aircraft by the F.104 supersonic fighter for R.A.A.F. purposes and which led Cabinet to authorise further Sabre production to meet R.A.A.F. needs pending the selection of a supersonic fighter more appropriate than the F.104 for Australian conditions.

Preparation of the estimate for additional Sabres was requested by the Department of Air on June 21, 1957. A working party, comprising representatives of this Department, the Department of Air and the Commonwealth Aircraft Corporation was called together immediately for the purpose. Initially the programme was examined on the basis of 30 aircraft and 10 spare engines.

The estimate on that basis was requested by the Department of Air to facilitate examination by that Department of the financial implications of the project. Tentative estimates for this purpose were furnished to the Department of Air under date July 15, 1957.

In the meantime Department of Air had included an amount of £2.155m. in its Estimates for 1957-58 and, immediately before September 9, when that Department had reached the decision to recommend a programme of 21 aircraft and 7 spare engines, the Working Party agreed that, as a result of its examination of the cost and spread-of-expenditure aspects of the project, it was likely that the amount available for 1957-58, viz. £2.155m. could be expended if the following basic assumptions proved to be valid :-

- (i) Early approval by Cabinet.
- (ii) Prompt placing of orders and speedy handling of indents in U.S.A.
- (iii) Ready availability of supplies required, both of raw materials and of finished and partly-finished components. In this regard it had been hoped that some portion, at least, of the supplies from North American Aviation Inc., the designers of the Sabre aircraft, for the extension project could have been produced concurrently with supplies required for Sabre production in Japan. Work on this Japanese order was to commence July/August, 1957.

In addition, it was thought that substantial payments would probably be involved as advances when orders were placed, particularly in respect of supplies from the U.S. Air Force ...

It transpired that :-

- (i) Cabinet approval was given on September 17th.
- (ii) The Japanese order was practically completed before approval was given to proceed with the Australian project. To meet the Australian demand, production at North American Aviation Inc. had to be re-established with consequent delays in availability of supplies for shipment.
- (iii) Although advance payment was demanded in respect of most Appendix 'A' supplies ordered from the U.S. Air Force, it transpired that only a small portion of the total Appendix 'A' requirement was ordered from this source, for the following reasons :
  - (a) The Consul-General in New York sought quotations, wherever practicable, from the manufacturers of individual items of Appendix 'A' equipment.... Comparable prices and more favourable deliveries were quoted by U.S. commercial suppliers for many items and orders were placed accordingly.
  - (b) Changes by the R.A.A.F. in certain equipments after the original Appendix 'A' estimate was compiled resulted in orders for some items being placed on the Australian agents of overseas suppliers rather than on the U.S. Air Force as with the earlier Sabre project.

Orders on suppliers other than U.S. Air Force did not involve advance payment.

- (iv) Details of Appendix 'A' equipment which it was thought would be available most cheaply and with the best delivery by calling on U.S. Air Force stocks were furnished to the U.S. Air Force in November 1957 ... it was not until May 1958 that the U.S. Air Force furnished details. It was then found that supplies of many items previously ordered from that source had to be obtained elsewhere. It was impossible at that stage to place orders with alternative suppliers in time to involve expenditure prior to June 30, 1958.

In these circumstances, although every endeavour was made to secure supplies in accordance with the earliest planning, it was not practicable to achieve the expenditure phasing set as the original target for the project for 1957-58."

Department of Supply

Division No. 185 - Defence Research and Development

Division No. 194 - Defence Research and Development - Buildings, works, fittings and furniture.

Division No. 196 - Defence Research and Development - Maintenance.

126. Funds provided in these three Divisions relate almost entirely to the United Kingdom/Australia Joint Project. The Agreement between the two countries provides that in each year of the Agreement, the Commonwealth will meet all expenditure up to a limit of £9.5m., the United Kingdom being responsible for expenditure in excess of that amount. However, the United Kingdom makes other contributions to the Joint Project which are not reflected in the accounts of the Commonwealth, such as the cost of developing and producing the missiles tested at Woomera. The substantial underspending of the gross provisions in 1957-58 resulted in a marked reduction in the contribution by the United Kingdom authorities, which, in turn, had to be provided for in the Additional Estimates and the Treasurer's Advance.

Exhibit No. 41/21.

See paragraph 9 above.

127. In view of the complicated nature of these transactions we have felt it appropriate to show how the Australian and United Kingdom contributions have been determined.

128. The original estimates made a gross provision of £12,695,000 in the three votes of which £199,000 did not relate to the Joint Project. Of the net amount of £12,496,000, Australia was to meet £9,500,000 and the United Kingdom £2,996,000. In the event, the United Kingdom contribution was reduced to £312,021. The following statements set out the position in more detail :-

Division	Original Estimates Provision	Actual Expenditure
	£	£
185 - <u>DEFENCE RESEARCH AND DEVELOPMENT</u>	9,060,000	7,776,118
<u>Less</u> Non-Joint Project Provision	160,000	155,837
	8,900,000	7,620,281
<u>Less</u> amount recoverable from United Kingdom	2,150,000	312,021
Australian Contribution to Joint Project in Division 185	6,750,000	7,308,260
194 - <u>DEFENCE RESEARCH AND DEVELOPMENT</u> Buildings, Works, Fittings & Furniture	3,035,000	1,741,102
<u>Less</u> Non-Joint Project Provision	35,000	16,847
<u>Less</u> amount recoverable from United Kingdom	846,000	-
Australian Contribution to Joint Project in Division 194	2,154,000	1,724,255

Division	Original Estimates Provision	Actual Expenditure
	£	£
196 - <u>DEFENCE RESEARCH AND DEVELOPMENT</u>		
Maintenance	600,000	469,551
<u>Less Non-Joint Project Provision</u>	<u>4,000</u>	<u>2,066</u>
Australian Contribution to Joint Project in Division 196	<u>596,000</u>	<u>467,485</u>

X X X X X X X

	Original Estimates Provision	Actual Expenditure
	£	£
<u>Australian Contribution</u>		
Division 185	6,750,000	7,308,260
" 194	2,154,000	1,724,255
" 196	<u>596,000</u>	<u>467,485</u>
Total Australian Contribution	9,500,000	9,500,000
U.K. Contribution	<u>2,996,000</u>	<u>312,021</u>
Total	<u>12,496,000</u>	<u>9,812,021</u>

Acquisitions of Sites and Buildings

Division No. 149 - Department of the Navy

Division No. 164 - Department of the Army

Division No. 176 - Department of Air

129. Excess expenditure of £1,123,429 was incurred from the Advance to the Treasurer in May and June 1958 mainly to purchase houses and flats in Victoria and New South Wales as quarters for married service personnel. The final expenditure and the votes for the year were:-

	<u>Div. 149</u>	<u>Div. 164</u>	<u>Div. 176</u>	<u>Total</u>
	<u>Navv</u>	<u>Army</u>	<u>Air</u>	
	£	£	£	£
Vote	179,900 <sup>†</sup>	285,000	140,000 <sup>‡</sup>	604,900
Expenditure	<u>409,980</u>	<u>787,676</u>	<u>530,673</u>	<u>1,728,329</u>
Treasurer's Advance	<u>230,080</u>	<u>502,676</u>	<u>390,673</u>	<u>1,123,429</u>

† Includes £19,000 voted in Additional Estimates

‡ Includes £60,000 voted in Additional Estimates.

The Department of the Interior informed Your Committee that the purchases were made on the basis of the following approvals by the Treasury.

Exhibit  
No. 41/22

£

Navv

65 houses 243,580

Army

65 houses, 30 flats and  
2 blocks of flats 440,945

Air

112 houses 477,963

1,162,488

130. In addition, in June, 1958, the Department of the Army purchased for £153,000 a property situated at Mascot, Sydney for use as the Sydney Area Store.

131. We were informed that the houses were urgently required, for it had become increasingly evident that the shortage of suitable married quarters was a major reason for the failure of personnel to remain in the Services. When the substantial short fall in expenditure occurred in other votes within the Defence Estimates the opportunity was taken, with the approval of the Treasurer, to divert surplus funds to these votes.

Q.194  
Exhibit  
No. 41/18

132. While Your Committee do not question the purposes of the expenditure, we think the Defence Estimates might have been more realistic in the first place so that the Parliament would have been informed of this expenditure in advance of its being incurred.

The Defence Works Programme

133. Defence works have been a subject of frequent comment by Your Committee - and the continued poor performance of some Service Departments within this field is disturbing.

134. In our 20th Report, Your Committee drew attention to the substantial over-estimating of defence works for 1953-54 and recorded the advice of the Department of Works that it did not have, during that year, an approved work programme. In our 25th Report we referred to circumstances in which the expenditure on the programme had again been seriously over-estimated - the estimate was £13,144,000 and expenditure £8,621,000 - a situation which we said was profoundly unsatisfactory.

Tabled  
24th May,  
1955  
paras.  
128-136.  
Tabled  
22nd May  
1956,  
paras.76-81

135. In 1955-56, a more satisfactory year, expenditure was within £834,000 of the total amount provided, but in 1956-57 underspending approximated £2,232,000. The situation in 1957-58 was as follows :-

<u>Div.*</u>	<u>Department</u>	<u>Original Estimate</u>	<u>Expenditure</u>	<u>Underspent</u>
		£	£	£
135	Defence	38,000	32,028	5,972
150	Navy	1,000,000	861,589	138,411
165	Army	3,000,000	2,174,658	825,342
178	Air	3,500,000	2,337,911	1,162,089
193/194	Supply	3,135,000	1,838,310	1,296,690
208	Defence Production	800,000	507,943	292,057
		<u>11,473,000</u>	<u>7,752,439</u>	<u>3,720,561</u>

\* Defence works votes under the control of the Department of Works

136. In our 37th Report Your Committee devoted some attention to a procedure for works programming which has been operating since 1954 in relation to the Civil Works programme. The object of this procedure, which sets down certain criteria and involves the preparation of Design Lists and a Works Programme, is to ensure the "orderly progression of projects into the Works Construction Programme and the maintenance, as far as possible, of balance between the two phases of the (works) process - design and construction". It is, in fact, a basis for sound and orderly planning.

Tabled  
14th May,  
1958  
paragraphs  
160-165.

Ibid,  
paragraph  
161.

137. The procedure places the responsibility for forming the programme upon the sponsoring department, which determines the content of the draft programme and the priority to be granted to each item. The responsibility of the Department of Works is to furnish advice on works potential and cost and to carry out the programme on the requisition of the sponsoring department. Your Committee noted on that occasion that the Department of Works, in essence, provides architectural and constructional services only; that it cannot proceed with planning and design without instructions nor can construction commence without the necessary financial authority from the sponsoring department. We stated that changes in plans by, or the dilatoriness of, sponsoring departments can result in substantial delays, in wasted effort on the part of the Department of Works and can adversely affect the smooth

Ibid,  
paragraph  
165.

Ibid,  
paragraph  
231.

execution of the Works Programme. These remarks can be applied most aptly to the Defence Works Programme of recent years.

138. The 25th Report of Your Committee records that the Defence Works Programme for 1954-55 was prepared in accordance with a procedure similar to that applying to the Civil Works Programme. It seems the doubts we then expressed about the "change" were not without substance. We now find that in 1957-58 the procedure had still not been properly or efficiently applied; that while the Civil Works Programme in that year proceeded on an orderly and soundly planned basis, the Defence Works Programme continued to function ineffectively. As the result of a report to the Prime Minister by the Minister for Works during 1957-58, directions have been issued that the submission and approval of the Design Lists and Works Programmes of the Service Departments are to be timed in accordance with the procedure for the Civil Works Programme.

Op.cit.  
paragraph  
78.

139. The marked differences between the "performance" of the two programmes in 1957-58 can be gauged by the following evidence given by Mr. C.L.S. Hewitt, First Assistant Secretary, Department of the Treasury :-

"... You draw a comparison with the civil works programme. I should like to refer to the relevant figures regarding the value of the two programmes. The civil works programme was approximately £30,000,000 in value, and of that £30,000,000 worth of new works the greater part was committed to construction during 1957-58. In other words, having been included in the programme, the programme marched onwards and the individual components were committed and went through the physical steps of construction. There were only some 4 per cent not committed to construction during 1957-58. The works of an individual value greater than £20,000 that did not commence in civil works during last financial year were of a total value of £1,200,000 out of the gross total of the programme of £30,000,000. The position in the Defence Works programme was just the opposite. The value of the Defence Works programme was £16,000,000. The value of works which did not commence or were not committed to construction above £20,000, together with the value of works which were either delayed or varied in relation to commencing, such as the one described in paragraph 3<sup>rd</sup> of the Works document, represented something over 27 per cent, the figure Mr. Davis mentioned a little while ago, of the value of the Defence Works Programme...."

Q.260

140. One of the reasons for this poor performance has been the manner in which the programme has been framed; some works were included prematurely by the sponsoring departments, others were programmed when the policy or principle involved had not been approved by the Cabinet or, in other cases, the Minister for Defence; work on these was, of necessity, deferred until the requisite approvals had been obtained. In addition sponsoring departments have delayed in submitting approvals to proceed and planning details to the Department of Works; in other cases requirements were changed.

Exhibit No.  
41/13.

141. Mr. Hewitt had this to say about the failure of the programme in 1957-58 :-

".... Part of the problem with the 1957-58 works programme was the delay in the submission of draft programmes and variations that were made in the approved programmes after they were first submitted. That instability carried on throughout the financial year. The under-expenditure in the Army and other sections of the Defence group of departments reflects such specific things as are mentioned in sub-paragraphs 2 and 3\* in the Department of Works explanation. For instance, there is included in the programme which the Treasurer has compiled and submitted to Cabinet for approval such a project as item No. 2, the total cost of which is £143,000 and for which, being "in progress" at 1st July 1957 cash expenditure of £25,000 is provided in the financial year 1957-58. In the event, nothing happened physically on the job during the year and the money was not required. An accumulation of events of this nature is a substantial explanation of the under-expenditure to which you direct attention. .... It is purely and simply the result of decisions to change or not to commence or not to obtain, or as a result of not having obtained in sufficient time the requisite approvals or for other good and sufficient reasons known to the individual departments. But that is reflected, in the result, in the under-expenditure in the Defence Works programme." Q.260

142. The following extracts from evidence given by Mr. W. Leng, Assistant Secretary, Department of the Army and Mr. R.L. Cameron, Assistant Secretary, Department of Air, throw more light upon the situation.

"(MR. LENG) I should like to say that I had not reached the stage where I had made a confession of the faults so far as the Army itself was concerned. We agree they are there. I mentioned earlier that this system, as far as the Army is concerned, is going through a period of teething troubles. The earlier system, which was not a good one, meant that at the time projects were included in the works programme, very little preparatory work of the kind necessary before putting the projects to tender had been done. This is still so, but quite an appreciable move was made in the 1957-58 programme. The design lists have commanded just as much attention from the point of view of justification and preparatory work as the items in the programme itself. I mean, the system has got approximately twice the amount of work to digest in the early stages of a scheme such as this. What we are hoping to do is obtain the justification Q.255

---

\* Paragraphs 2 and 3 of Exhibit No. 41/13 read :-

"Provision was made for expenditure of £25,000 on the Cabarlah, Queensland, Signal School, total cost £1 3,000; however, due to delays in the provision of design requirements and site details, the project was delayed and the expenditure was NIL.

Provision was made for expenditure of £44,000 on the Personnel Depot at Enoggera, Queensland, but the work was not proceeded with and was replaced by a new proposal of £33,000 included in the new programme."

(NOTE. These projects were not "new projects" but projects brought forward from the previous year. They provide examples of delay on the part of the sponsoring department.)



needed for ministerial approval of projects and complete the actual preparatory work needed by Works from Army back at the commencement or prior to the actual design list preparation itself whilst dealing at the same time with current projects; and, therefore, I say that we are trying at present to manage both jobs. For a period, we are dealing with an over-burden of work. What has been happening has been that the Commands have been submitting their proposals for inclusion in design lists and in programmes at a stage at which insufficient detailed knowledge is available to Army headquarters as to exactly what the Command has in mind. When Army headquarters tells the Command to go ahead, very often they have committed the Department of Works to a good deal of unnecessary work, because when the plans eventually go to Army Headquarters they cannot agree on them. In order to overcome this, the Army has introduced what, for want of a better file it has called a "pre-design list" to take the whole thing back further in time, and require the Commands to submit to Army Headquarters for justification and with detailed explanations those items which the Command desires to put into the next design list. When that stage is reached, we will not only have approved projects in the Works programme for that year, but also in the design list for the forthcoming works construction year. But we have not reached that stage yet.

COMMITTEE MEMBER. - Goodness gracious me, when are we going to reach it? --- (MR. LENG) We have every hope of reaching it in this coming year - that this coming year will show a very great improvement. Q.256

COMMITTEE MEMBER. - Will this mean that you will try to stop beating the gun in future? --- (MR. LENG) That is the purpose of it. Q.258

COMMITTEE MEMBER. - I think that what we have been discussing this afternoon has indicated that there has hardly been a planned programme at all, and what you are saying now is that under the new arrangement there will be a planned programme and consequently there should be better estimating? --- (MR. LENG) Yes. Q.259

(MR. CAMERON) We have known for quite a number of years that this works procedure has not produced the results that I think each one of the departments, including the Department of Works, would have wished. I think the present Auditor-General<sup>x</sup> instituted this new works procedure for the design list for the Defence Services somewhere about the 1953-54 period. But I am afraid it was not really put into effect as far as the Defence Services are concerned until a quite recent date. Efforts are now being made to produce the Design List in sufficient time and sufficiently firm in respect of requirements to allow a programme when it comes along at the beginning of each particular financial year to be as firm as is reasonably possible with the Estimates of expenditure Qs.319 and 320.

---

x The present Auditor General, Mr. H.C. Newman O.B.E., was formerly Assistant Secretary, Defence Division, Department of the Treasury.

firmly based on the plans and specifications and the known features as produced by the Department of Works who would have much longer and better time to prepare their Estimates than they had previously.

COMMITTEE MEMBER. - Why was not that put into effect when the Treasury instruction or recommendation came out? The other departments applied themselves to it. This seems to be a factor in the picture presented by the Defence Departments. Was it because of an attitude or was it because the Department was not capable of applying it successfully? --- (MR. CAMERON) Actually, we did put into effect the procedure of the design lists, but I am afraid that the whole position for two years at least was not appreciated and put into effect either by the Treasury requiring it or by the failure of our departments to put it in in a way which would produce the best results. There is no question of trying to dodge the issue. We have realized now that it is the best thing to be done."

143. While, the failure of the Defence Works Programme in recent years is, in the circumstances, to be deplored Your Committee in this instance, is satisfied that the fault does not lie with the Department of Works. We would hope that the other departments and Services concerned will take the necessary steps, without further promptings from this Committee or the Government to remedy permanently a most serious situation. In this context the evidence of poor and un co-ordinated planning, of ineffectual operation, is too strong and too persistent to be denied.

CHAPTER VSELECTED ITEMS WHICH HAVE NOT BEEN THE SUBJECT  
OF ORAL EXAMINATIONATTORNEY-GENERAL'S DEPARTMENTDivision No. 59AItem 3 - Conciliation and Arbitration  
Administration - Salaries  
and Allowances.

144. The vote for and expenditure from this item in 1957-58 were as follows :-

	£
Vote	60,000
Expenditure	50,153
Underspent	<u>9,847</u>

Your Committee have received the following explanation from the Attorney-General's Department :-

"When the Estimates were prepared, there were 10 vacant positions in the Conciliation and Arbitration Administration. Provision was made in the amount estimated to remain unexpended for these and other vacancies which might occur during the year. However, the amount of the salaries payable to Associates and Tipstaves to Judges of the Industrial Court and members of the Conciliation and Arbitration Commission, who are exempt employees and whose salaries are therefore paid from Division 59A2, was not included in the amount estimated to remain unexpended. As mentioned in the case of Division 57A1, the practice of providing for these employees in a special line in the Schedule of Salaries and Allowances will be discontinued."

Committee  
Document  
No. TA58/17

A similar error was made in the estimate for Division 57A1 - High Court, Salaries and Allowances - resulting in final expenditure of £9,173 being well below the appropriation of £23,500.

Division No. 219Item 6 - Courts Martial Appeal Tribunal

145. A vote of £10,000 was provided in 1957-58, but expenditure reached £46 only.

146. The Courts Martial Appeal Tribunal was established under the Courts Martial Appeals Act, 1955, proclaimed in March, 1957. The Department has informed us that it expected the tribunal would be used to a far greater extent than it was in fact. During 1957/58 only one appeal was filed and the hearing of that appeal was not concluded in that year.

DEPARTMENT OF LABOUR AND NATIONAL  
DEVELOPMENT

Division No. 126C

Item 3- Ministry of Labour Advisory Council -  
Expenses.

147. Votes for an expenditure from this item in 1956-57 and 1957-58 have been as follows :-

	<u>1956-57</u>	<u>1957-58</u>
	£	£
Vote	2,110	20,000
Expenditure	<u>1,591</u>	<u>2,488</u>
Underspent	<u>519</u>	<u>17,512</u>

148. We have received the following explanation from the Department of Labour and National Service for the underspending in 1957-58 :-

"The vote was provided to enable the programme of work proposed by the Council to be carried through. The major expenditure was planned in relation to the activities of the Standing Committee on Productivity which had earlier been established. These envisaged general publicity, printing and distribution of publications, purchase and copying of films, inter-firm team visits, and research and information services and at least one visit to the U.S.A. of a productivity team. The Council was also in the course of planning a National Industrial Safety Drive: it so happens that this will now commence in the current financial year.

Following the February, 1958 meeting, the Trade Union members of the Council withdrew and since then meetings of both the Council and the Standing Committee have been suspended. Printing costs amounting to approximately £1,300 could not be brought to account before the end of the financial year".

Department of Social Services

Division No. 225

Item 5 - Building of homes for the aged -  
assistance to approved organisations

149. £1,800,000 was provided under this item in the 1957-1958 estimates but expenditure reached £837,895 only. The Department of Social Services has advised Your Committee that the preliminary estimate submitted to the Treasury in M y, 1957, was for £800,000 but this was revised to £820,000 in July, 1957. This estimate was based on the Commonwealth subsidy continuing at a rate of £1 for £1.

Committee  
Document  
No. TA58/11

150. We have received advice from the Department of the Treasury as follows :-

"On the day preceding the completion of the 1957-58 budget the Government decided to increase the assistance available under the Aged Persons Homes Act. The maximum amount of assistance in any year was raised from £1,500,000 to £3,000,000 and individual grants were increased from £1 to £2 for every £1 found by approved organisations.

Treasury  
memorandum  
SL58/1821  
dated  
9th Sept.  
1958.

While the Government had determined the broad policy, the new scheme had not been worked out in detail when the budget was introduced and this situation was referred to by the Treasurer in the Budget Speech. In particular it had not been practicable to determine precisely how the new scheme would apply to projects in progress, approved but not commenced, or awaiting consideration. Subsequently it was decided that the higher rate of assistance would apply only in respect of homes approved on or after the date of commencement of the amending act which came into force on 22nd October, 1957.

In considering the possible effect of the higher assistance on expenditure it was clear that the Government contribution to new projects would now be double what it would otherwise have been under the earlier arrangement. However there was no reliable way of estimating the extent to which the higher level of assistance would stimulate applications for assistance from charitable and religious organisations.

It was in this situation that an amount of £1,800,000 was adopted by the Government as the provision to be made in the 1957-58 Estimates".

Of the expenditure of £837,895, progress payment of £322,177 were made on grants totalling £1,148,042 approved during the year while £515,718 was paid in respect of grants approved in previous years.

Postmaster-General's Department

Sub division E - Item 3 - Engineering Services  
for Telegraph Services

151. Votes for and expenditure on these services in 1957/58 were as follows :-

Division No.	State	Vote £	Expenditure £	Variation £	
257	Central Office	10,000	9,697	- 303	Committee
258	New South Wales	140,000	110,152	- 29,848	Doomsday
259	Victoria	180,000	218,124	+ 38,124	No.TA58/15
260	Queensland	68,000	53,723	- 14,277	
261	South Australia	45,000	29,936	- 15,064	
262	Western Australia	36,000	7,085	- 28,915	
263	Tasmania	14,000	2,576	- 11,424	
264	Northern Territory	5,000	3,712	- 1,288	
Total		498,000	435,005	- 62,995	

\* Met from the Advance to the Treasurer.

152. The Postmaster-General's Department has given the following reasons to Your Committee for the variations from the Budget provisions :-

"(a) Lower maintenance costs

The Post Office is in the process of improving the telegraph service by the introduction of automatic teleprinter switching equipment, where appropriate and economical. This equipment is designed to reduce costs and provide a higher grade of service. Co-incidentally, the Department has initiated action to reduce costs by the adoption of improved maintenance techniques which, in turn, have made it possible to adjust maintenance staffs.

Committee  
Document  
No.TA58/15.

In preparing the 1957/58 estimates, some allowance was made for expected lower maintenance costs and a vote of £498,000 was sought - £26,834 less than the actual expenditure in 1956/57. It is apparent that the allowance made for savings consequent upon the installation of more modern equipment and the introduction of improved maintenance practices and procedures generally was conservative. For instance, the estimate of labour costs associated with telegraph maintenance was £298,000 but the actual expenditure was in the order of £260,000, a direct saving of £38,000.

It is hoped to have maintenance costs still further reduced during 1958/59 and the Post Office has therefore sought provision of £417,000 or £18,005 less than amounts spent in 1957/58.

(b) Establishment of Central Store for maintenance parts.

It is essential for the Department to have available at distributing centres throughout the Commonwealth sufficient spare parts to ensure the effective day to day operation of the telegraph service. These relate particularly to spare parts for teleprinters, where hundreds of items are involved for each individual machine.

An examination of the position indicated that it would be more economical to hold certain parts not required at such frequent intervals on a Commonwealth basis rather than disburse these throughout the States. Following a special survey, it was decided that the Commonwealth distributing centre should be located in Victoria and it has been practicable to make a substantial reduction in the total value of the spare parts held. As a result, adjustment in expenditure under telegraph maintenance in the various States were necessary during 1957/58; an increase was involved in Victoria and more than compensating decreases in the other States. "

DEPARTMENT OF TRADEDivision No.223Item 10 - Publication of "Australia Today" -  
contribution

153. The vote for and expenditure from this item in 1957-58 were as follows :-

	£
Vote	6,000
Expenditure	<u>3,000</u>
Underspent	<u>3,000</u>

154. The Department of Trade has submitted this explanation :-

" The appropriation of £6,000 represents the Commonwealth contribution towards the production costs of the publication 'Australia Today' 1958 edition.

The Commonwealth agreed to contribute £6,000 annually towards the 1957, 1958 and 1959 editions of this publication provided the contents and standard were acceptable to the Minister for Trade and production costs of each edition exceeded £13,000.

Committee  
Document  
No.TA58/20

An initial payment of £3,000 of each annual contribution is made on the Minister approving the publication for that year and the second £3,000 on receipt of a claim from the publishers supported by a statement of production costs.

The expenditure of £3,000 in 1957/58 represents the initial payment towards the 1958 publication but although a claim in respect of the second half of the contribution was received in the Department in time for payment in 1957/58, following examination it was inadvertently placed on file and not referred for payment until after the end of the financial year."

Department of the TreasuryGovernment Printing OfficeCapital Works and Services Division No.6Item 1 - Purchase of machinery  
and equipment

155. Votes for and expenditure from this item in the last three financial years have been as follows :-

	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>
	£	£	£
Vote	145,000	150,000	120,000
Expenditure	106,071	<u>35,837</u>	<u>37,987</u>
Underspent	<u>38,929</u>	<u>114,163</u>	<u>82,013</u>

156. Your Committee considered this item in our Thirty Third Report but in view of the further substantial underspending in 1957-58 we sought an explanation from the Treasury. The Treasury has advised as follows :-

"The provision of the £120,000 for 1957/58 was based on a continuation of the programme of re-equipping the Printing Office to meet the demand for Parliamentary and departmental printing, including the Daily Hansard recommended by the Select Committee of the House of Representatives.

During the year some items contained in the programme were deferred. On others there were some savings in the estimate of cost.

The major cause of underspending was, however, the delay in the placing of contracts for major items of equipment. Although it was anticipated that some time would be required for consideration of tenders and settlement of terms of delivery etc. it was not expected that there would be such a delay as did occur in the actual calling of tenders and the placing of contracts. These were caused by shortage of staff in the Commonwealth Stores Supply and Tender Board".

Tabled  
9th  
October,  
1957.  
Paragraph  
62-67.  
Committee  
Document  
NoTA58/31.



CHAPTER VIOTHER ITEMS CONSIDERED.

157. In Chapters IV and V, Your Committee have reported upon the more important items examined during this Inquiry. The many other items we have considered but have not commented upon are listed below so that the Report might be a complete record of Your Committee's investigations on this occasion.

Prime Minister's Department.Expenditure from Treasurer's Advance.

Public Service Board - Division No. 12/C/1 and 2.

Underspending.

Divisions No. 15/B/4; 16/B/1; 214/25, 32 and 33.  
Public Service Board Division No. 12/C/6  
National Library - Division No. 14/B/3, 10, 11 and 14.

Department of External Affairs.Expenditure from Treasurer's Advance.

Divisions No. 19/B/2; 35K/A/2; 41K; 217/4; 217K.

Underspending.

Divisions No. 19/A/1; 24/A/1 & 2; 24/B/1, 2, 4 & 7;  
29/B/3; 30/B/2; 36/B/2; 38/B/1; 39/B/2; 43/A/2;  
C.W.S. Division No. 4.

Attorney-General's Department.Underspending.

Divisions No. 54/B/4 & 5; 64/A/2; 64/B/2 & 3; 219/4 & 7.

Department of Works.Underspending.

Divisions No. 73/1, 2 & 4; C.W.S. 66/1; 69/1.

Department of Health.Underspending.

Divisions No. 83/A/1; 83/B/4, 5, 6, 7 & 8; C.W.S. 21/1;  
22/1; 67/1.

Department of Trade.Underspending.

Divisions No. 93/A/1; 97/B/4; C.W.S. 26/1 & 3;  
C.W.S. 28/1.

Department of Primary Industry.

Underspending.

Division No. 224/16.

Department of Shipping and Transport.

Underspending.

Divisions No. 213K; C.W.S. 34/4.

Department of Territories.

Underspending.

Divisions No. 116/B/5; 166J; C.W.S. 37K/3.

Department of Labour and National Service.

Underspending.

Divisions No. 126/B/5; 126/G/1.

Department of National Development.

Underspending.

Divisions No. 127/A/1; 127/G/2 & 4; 128/G/1.

Department of the Navy.

Expenditure from Treasurer's Advance.

Divisions No. 143, 145.

Underspending.

Division No. 141/2 & 7.

Department of the Army.

Underspending.

Divisions No. 152/B/4; 155/5 & 11; 161; 162; 166J.

Department of Air.

Underspending.

Divisions No. 167/A/2 & 3; 171; 172/4 & 5; 174.

Department of Supply and Defence Production.

Expenditure from Treasurer's Advance.

Division No. 203.

Underspending.

Divisions No. 181/B/4; 201; 207.

Postmaster-General's Department.

Underspending.

Divisions No. 260/G/4; G.W.S. 56/3 & 4; 57/1 and 58/3.

CHAPTER VIICOMMENTS AND CONCLUSIONSIntroduction

1. The presentation by the Treasurer of his Budget for 1958-59 on 5th August necessitated Your Committee making their inquiries into expenditures from the Treasurer's Advance earlier than in former years. (Paragraphs 2,3.)
2. In this Report Your Committee again consider the reasons why expenditures fall substantially below the Estimate. (Paragraphs 4,5.)

Topics of special interest.

3. As a result of its consideration of the use of section 37 of the Audit Act, the Treasury decided not to utilise the section on this occasion and to rely solely on the Treasurer's Advance. (Paragraphs 12,13.)
4. Section 37 permits a surplus in one item to be applied to the aid of another item in the same sub-division.
5. One effect of discontinuing the use of section 37 has been a saving of work in both the Treasury and the Audit Office. (Paragraphs 14-16.)
6. Procedural practices followed in recent years in applying section 37 may not fully have met legal requirements. (Paragraph 17.)
7. There is at present no firm intention to repeal section 37; the Treasury prefers to wait to see how the change operates as circumstances could again arise which might warrant using the section. (Paragraph 18.)
8. Your Committee consider that reliance on the Treasurer's Advance alone has distinct advantages and think that changes in procedures and techniques may well render redundant section 37. (Paragraph 19.)

x x x x x x x

9. Your Committee's expressed belief that the change in the procedure for informing Parliament of expenditure from the Treasurer's Advance would save costs has been realised but further savings would result if the detailed salary information in the Statement could be reduced or excluded. (Paragraphs 23-26.)
10. The Treasury proposes to submit to Your Committee a considered opinion on the whole question which is rather complex in its implications. (Paragraph 27.)

Departmental Estimating

11. In other Reports, e.g. the Thirty-Third, Your Committee commented adversely upon the standard of estimating in some departments. (Paragraph 28.)
12. Bad estimating is by no means general, but Your Committee found sufficient examples of it during this investigation

to prompt us to examine the responsibilities of departments in this field. (Paragraph 28.)

13. In paragraphs 29-32, Your Committee describe the different types of underspending and their consequences. The likelihood that departments might seek to escape inquiry by exhausting their votes has been mooted, but such action would be irresponsible and would threaten the integrity of the public service. (Paragraph 32.)
- x x x x x x x
14. In paragraphs 33-38 Your Committee discuss the respective roles of the departments and the Treasury in the formulation of the Estimates.
  15. From a study of the evidence we feel that in the preparation of estimates, some departments have failed to discharge the obligations imposed upon Permanent Heads by the Public Service Act 1922-1957. (Paragraphs 35,36).
  16. Your Committee emphasize the importance of reliable estimates because of their effect upon the Treasurer's Budget proposals. (Paragraph 37.)
  17. Your Committee's criticisms and suggestions year by year, the probings of the Treasury and conferences on financial management organized by the Public Service Board are bringing about some improvement in the standard of departmental estimating. (Paragraph 38.)

#### Prime Minister's Department

18. Public Service Board. Your Committee chose some items from the vote of the Public Service Board to illustrate the manner in which overestimating may occur. In the case of estimates for recruitment advertising the Board contended that accurate estimating was difficult because of unpredictable and uncontrollable influences, but the errors made could easily have been avoided. (Paragraphs 39-42)
19. In another item the Board submitted an estimate which was hardly justified by the stage that the project had reached. (Paragraphs 43-45)
20. In Your Committee's view a more realistic approach by the Public Service Board in these two cases would have resulted in better estimates. (Paragraph 46.)
21. National Library. Over a period of years the estimating performance of the Library has been poor. (Paragraphs 47-48).
22. The Librarian impressed upon us the difficulties that he experienced in obtaining and retaining staff, but he nevertheless continued to present his estimates as if those difficulties had not existed. (Paragraphs 49-51).
23. The estimates relating to the Australian Bibliographical Centre and a vote for printing and publications again illustrate the failure to take notice of a pattern of underspending.

Liabilities for which provisions have been made have been quite vague and indefinite. (Paragraphs 53-56.)

24. Your Committee were surprised that the defects in estimating revealed by our examination of the National Library had persisted so long. (Paragraph 57)

Department of External Affairs

25. Embassy - Republic of France. Funds provided for major repairs to the Embassy office and the Ambassador's residence in Paris have been underspent because of delays by the architect, difficulties with estimates and the absence on conference duty of Embassy staff. (Paragraphs 58-61.)
26. Economic Assistance to support defence programme of SEATO member countries. This vote is under the control of the Department of External Affairs. The estimates are prepared by that department and are submitted to the Defence Department for inclusion in the Defence Estimates. (Paragraphs 62-64.)
27. Our investigations have disclosed what seems to have been a complete unawareness of the principles of estimating and a failure to profit by past experience of substantial underspending. (Paragraphs 65-67.)
28. In both 1957-58 and 1958-59 the allocations sought by External Affairs were substantially above the amounts finally allotted by the Defence Department. (Paragraphs 65,66)
29. Your Committee were told that the vote of £600,000 as finally determined for 1958-59, was the result of careful study of the experience of the past two years and of a critical appraisal of the amount of expected expenditure for each project. Your Committee are surprised that anything less than this should have been done when preparing the estimates initially. (Paragraph 67.)

Department of the Interior

30. Transport services for other departments in Canberra. Since the early war years the cost of motor transport for other departments in Canberra has been met from a vote under the control of the Department of the Interior. The vote had no reference to the cost of motor transport for Members of the Parliament and the Department of Interior itself. (Paragraph 69.)
31. As from 1st July, 1958 each department will be responsible for its own expenditure on transport. (Paragraph 69.)
32. Conditions for the use of departmental transport were established by the Prime Minister in 1950 and re-affirmed in 1957, (Paragraph 73.)
33. Increases in wages and costs, transfers of departments and the expansion of the Public Service in Canberra have been important factors in the increase in expenditure on Canberra departmental transport, but unnecessary or excessive use and the uneconomic use of transport have also been contributing factors. (Paragraph 74.)

34. The Treasury expects the new arrangements for charging departments for transport will substantially reduce expenditure; other savings might also be feasible. (Paragraph 75.)
35. The component for "idle time" in the mileage charge for transport represents over 17% of the total charge. (Paragraph 76.)
36. Your Committee consider that the Department of the Interior, as the authority controlling the transport vote, was under an obligation to ensure, within the means available to it, that the expenditure was no more than was necessary, that transport was being used economically and within the limits of the conditions laid down. In our view the Department showed a lack of initiative and a reluctance to take steps to correct a serious situation. (Paragraphs 79, 80.)
37. That the unnecessary, uneconomic and use for unofficial purposes have continued in the face of the Prime Minister's instructions and the criticisms of the Auditor-General is a serious matter and reflects on the user departments concerned. (Paragraph 81.)

#### Department of Works

38. Fees of private architects and consultants. Expenditure from this vote has fallen below the estimate for the past three years. (Paragraph 82.)
39. The reasons for the substantial underspending for the year 1957-58 are set out in paragraph 85.
40. The cancellation of projects by departments, or substantial alterations in concept result in unwarranted planning and design, but the volume has been substantially reduced since Your Committee submitted our Fifth Report. (Paragraph 86.)
41. Losses on disposal of post-war stocks. The Treasurer's Advance Account provided £465,574 to offset a nett accumulated loss within the Works Suspense Account for the disposal of surplus stocks. (Paragraph 87.)
42. Your Committee were supplied by the Department with a comprehensive explanation of the reasons for the expenditure. (Paragraph 87.)
43. The sum of £465,574 represents only a portion of the total loss sustained on these surplus materials. Returns from disposal of the stock have ranged from 20% up to 50% of original book value. (Paragraph 89.)
44. To Your Committee's questions about the reasons why the return from surplus stock disposals had been so small, the Department submitted a long statement covering the methods adopted for the disposal of stocks. (Paragraph 90.)
45. Your Committee did not pursue the inquiries because we understood the Public Service Board had been directed to undertake a review of stockholdings in all Commonwealth departments. (Paragraph 91.)

Department of Immigration

46. Payment for services performed by governmental authorities. Amongst other things this vote provided for payment by the Commonwealth for services rendered by the United Kingdom Foreign Office in immigration matters. The provision was substantially underspent for the years 1956-1957 and 1957-58. (Paragraph 93.)
47. The underspending, coupled with a belief of the Department that the full costs are not being incurred by the United Kingdom authorities, suggests that the "commitment" is too indefinite to warrant a full provision in the Estimates. (Paragraphs 93-95.)
48. Migration Office Italy - Postage, etc. Your Committee commend the economy measures taken in the Migration Office in Italy which resulted in a saving without loss in efficiency of £4,073 in a vote of £16,000. (Paragraphs 96-98)
49. Assisted Migration. Very substantial discrepancies have occurred between the amounts voted and the amounts spent on Irish, Maltese, Dutch and Austrian assisted migration. (Paragraph 99.)
50. In addition to supplying Your Committee with a general explanation of the factors that affect migration policy, a special explanation was offered covering the four countries under review. (Paragraphs 100,101.)
51. Your Committee were told that the Estimates were based upon the Government's immigration programme and that the task of framing the programme was one of some complexity. (Paragraph 100.)
52. Your Committee records this as another illustration of a department able to discuss objectively the difficulties associated with carrying out its policy and yet over a period of years seemingly disregarded these difficulties when preparing its Estimates. As it is, the evidence indicates that recent estimates of expenditure under these items could have borne a greater resemblance to the facts than they did. (Paragraphs 101,102)
53. Whether the Estimates should continue to be based on a pre-determined target (or programme) or whether they should be based on the latest information available at the time the Budget is finalized, is a matter for discussion in which Government policy would, of course, be an important factor. (Paragraphs 101-102.)

The Defence Services

54. The substantial underspending in the Defence Services votes for 1957-58 has again engaged the attention of Your Committee. (Paragraphs 103, 104.)
55. Expenditure on Defence Services of £185,096,466 fell £5,000,000 below the original vote and some £17,000,000 below the total of all the appropriations approved during the year. (Paragraph 104.)
56. As a result of the underspending of naval votes the Navy was able to purchase at a cost of £150,000, an additional 15,000 tons of oil fuel which had been excluded from the original estimates. (Paragraphs 106-108.)



57. A claim for £59,427 from the Admiralty in respect of oil fuel supplied to the Fourth Submarine Squadron between October 1949 and March 1955 was met from the Treasurer's Advance. (Paragraph 109.)
58. Your Committee recall comments made in their 20th Report regarding a similar claim and suggest that the matter might be further pursued with the Department of the Navy by the Department of the Treasury. (Paragraphs 110, 111.)

Department of the Army

60. Rations. A more exhaustive method has been used to determine the estimates for 1958-59 for the Army rations vote following the discovery that the previous basis of costing produced an inflated estimate. (Paragraphs 112, 113.)
61. Royal Military College. Substantial underspending of two Royal Military College votes resulted from errors in estimates. Steps have been taken to avoid a recurrence. (Paragraphs 114, 115.)

Department of Air

62. Freight and cartage. £140,000 of a total underspending of £212,575 related to a proposal to move No.5 Airfield Construction Squadron from Darwin to Laverton, Victoria. The move did not eventuate. (Paragraphs 116, 117.)
63. In the view of Your Committee a substantial over-estimate was made because the situation was not properly appraised at the time the estimates were prepared. (Paragraphs 117, 118.)
64. Mechanical and transport equipment. A substantial over-estimate resulted from providing for the purchase of equipment when specifications had not been finally determined. The Department of Air has altered procedures to avoid similar over-estimates in the future. (Paragraphs 119, 120.)

X X X X X X X

65. Your Committee record some of the difficulties facing the Finance Branch of the Department of Air in the preparation of realistic estimates and note that problems of co-ordination are still unresolved. (Paragraph 121.)
66. Purchase and manufacture of aircraft. In paragraphs 122 to 125 Your Committee set down the reasons given for the substantial short fall in expenditure on a project for 21 Sabre fighters.

Department of Supply

67. Defence Research and development. Your Committee outline the basis on which the Australian and United Kingdom contributions for 1957-58 to the Joint Project have been determined. (Paragraphs 126 - 128.)
68. Acquisition of sites and buildings. In 1957-58 expenditure of £1,123,429 was allocated from the Treasurer's Advance to enable the purchase of houses and flats in Victoria and New South Wales as quarters for married Service personnel. (Paragraphs 129, 130.)

69. It was possible to do this because of the substantial shortfall in expenditure in other votes within the Defence estimates (Paragraph 131.)
70. While Your Committee do not question the purposes of the expenditure we think that the Defence estimates might have been more realistic in the first instance. (Paragraph 132.)
- 1.

The Defence Works Programme

71. In our 20th, 25th and 29th Reports Your Committee criticised the operation of the Defence Works Programme. (Paragraphs 133, 134.)
72. There was again a substantial short fall in programmed expenditure in 1957-58. Expenditure reached only £7,752,439 against an estimate of £11,473,000. (Paragraph 135.)
73. In paragraphs 136 to 137 Your Committee outline a procedure for works programming which has been operating since 1954 in relation to the Civil Works Programme.
74. Your Committee record that a similar procedure was first applied to the Defence Works Programme in 1954-1955 but was still not operating properly in 1957-58. (Paragraph 138.)
75. Your Committee compare, at paragraphs 138 and 139, the effective operation of the Civil Works Programme with the unsatisfactory results of the Defence Works Programme.
76. Following an approach to the Prime Minister by the Minister for Works, directions have been issued that the preparation of the Defence Works Programme is to be timed in accordance with the procedure for the Civil Works Programme. (Paragraph 138.)
77. The main reasons for the failure of the programme include  
(a) the way it has been framed; and  
(b) vacillation and delay on the part of sponsoring departments in submitting approvals and essential information to the Department of Works. (Paragraphs 140, 141.)
78. The evidence of poor and uncoordinated planning and of ineffectual operation of the Defence Works Programme is too strong and too persistent to be denied but Your Committee do not, in this connection, impute blame to the Department of Works. We have been informed that steps are being taken to remedy permanently an unfortunate situation. (Paragraphs 142, 143.)

Attorney-General's Department

79. Your Committee record explanations of errors made by the Attorney-General's Department in preparing the estimates of salaries and allowances payable to:-  
(a) Conciliation and Arbitration staff; and  
(b) staff of the High Court. (Paragraph 144.)

80. Only £46 of a vote of £10,000 for the Courts Martial Appeal Tribunal was spent because the Tribunal was used far less during 1957-58 than had been expected. (Paragraphs 145, 146.)

Department of Labour and National Service.

81. Out of a vote of £20,000 provided to meet the expenses of the Ministry of Labour Advisory Council only £2,488 was spent because the programme of work proposed by the Council was not carried through. Since February, 1958 meetings of the Council have been suspended. (Paragraphs 147, 148.)

Department of Social Services

82. In paragraphs 149 to 150, Your Committee report the reasons for the substantial underspending of the vote providing for assistance to approved organisations who are building homes for the aged.

Postmaster-General's Department

83. Your Committee have been given two main reasons for the underspending of votes from which the cost of engineering services provided for telegraph services is met. One is that economies from new equipment were greater than anticipated; the other is that savings resulted from centralising certain maintenance parts in one store in Victoria. (Paragraphs 151, 152.)

Department of Trade.

84. The vote providing for a contribution to the publication "Australia Today" was underspent because an account received in adequate time for payment before the end of the financial year was inadvertently mislaid in the Department of Trade. (Paragraphs 153, 154.)

Department of the Treasury

85. In our 33rd Report Your Committee considered the underspending of the vote for purchase of machinery and equipment for the Government Printing Office. (Paragraphs 155, 156.)
86. Your Committee record the reasons submitted by the Treasury for the substantial underspending of this vote again in 1957-58. (Paragraph 156.)

CHAPTER VIIIDEATH OF SENATOR THE HONORABLE  
HARRIE STEPHEN SEWARD

Senator Seward, who died on the 25th July, 1958, at the age of 74, was an original Member of the Committee elected under the Public Accounts Committee Act of 1951.

Senator Seward brought to the deliberations of the Committee the fruits of a wide experience gained in war and peace, in primary industry and politics. He gained a Commission in 1917 during World War I, was a successful farmer at Pingelly, Western Australia, was a Member of the Legislative Assembly in the Parliament of Western Australia from 1933 to 1950, while from 1947 to 1950 he was Minister for Railways and Transport. He was elected to the Senate as a Member of the Country Party for Western Australia in 1951.

Senator Seward's membership of the Public Accounts Committee was characterised by a diligent application to the business of the Committee and his contributions to our discussions reflected the careful and penetrating study that he made of the matters that came before the Committee for investigation. His kindly nature commended him to his fellow-members, and to the many officials and others who regularly attended the meetings of the Committee. The Committee placed on record their own appreciation of his services, and their sense of loss of a valued friend and colleague. The tributes of the Parliament to his memory will be found in the proceedings of the Senate and of the House of Representatives in Hansard of 5th August, 1958.

CHAPTER IXAcknowledgments.

As this will be the final Report submitted to the Parliament by the Third Committee we wish to acknowledge the valuable assistance we have received in our work from the Public Service.

The Observers. At the first meeting of the Third Committee on 23rd March, 1956, Your Committee discussed with Sir Roland Wilson, C.B.E., Secretary to the Treasury, Mr. (now Sir) William Dunk, C.B.E., Chairman of the Public Service Board and Mr. H.C. Newman, C.B.E., Auditor-General, the procedures that should be followed in order that we might obtain the best results from having representatives of the Treasury, the Public Service Board and the Auditor-General present at our meetings.

These three authorities share with Your Committee some responsibility to the Parliament to help it in discharging its function of control of the public finances on behalf of the people.

Because of the experience gained during the examination of the then Auditor-General (Mr. J. Brophy) on the occasion of our inquiry into the Australian Aluminium Production Commission when we asked him to give evidence on oath and to submit to a searching cross-examination regarding his reports on that undertaking, Your Committee felt that some alteration in the procedure then existing might be desirable.

Your Committee put to the three gentlemen mentioned that it would be better for their representatives to attend our meetings as observers. Instead of asking them to present sworn statements on the various issues that arise in inquiries before the Committee we thought it would be preferable that they should be available to offer advice and assistance in respect of those inquiries whenever asked by your Committee or when they thought it wise to intervene.

The gentlemen agreed that the proposal deserved intellectual hospitality and it therefore ought to be given a trial. Your Committee indicated that we would not relinquish our power to call the observers as witnesses and take sworn evidence from them whenever it seemed good so to do. But in general it was agreed that it would be highly desirable to maintain as informal an atmosphere as possible in proffering advice and in putting their experience at the disposal of the Committee.

Your Committee are glad to report that the change in the procedure at public hearings has been highly successful.

The observers who have assisted the Committee during the last three years are Mr. C.L.S. Hewitt, First Assistant Secretary, Department of the Treasury, who took the place of Mr. F.H. Cox, following his retirement; Mr. H.C. Newman O.B.E., Auditor-General, who took the place of Mr. Brophy following his retirement and Mr. L.O. Brown M.B.E., from the Public Service Board. Your Committee are much indebted to these officers and their representatives who deputised for them from time to time for their untiring help.

Mr. Brown reached the time for retirement during last July and Your Committee were gratified to learn that the Public Service Board had decided to retain Mr. Brown as the Board's representative on the Committee until the end of the present Parliament.

Mr. Brown was one of the original Observers and his work with the Joint Committee of Public Accounts has been very valuable because of his intimate knowledge of the Public Service and of the relations between the Public Service Board and the Government.

The Departmental Witnesses.

A glance at any of Your Committee's reports will make very evident how deeply indebted we are to the Departments for the manner in which material desired by the Committee has been prepared and presented to us. Their contribution has been most valuable. We know that our requisitions are sometimes very exacting, and time consuming; the knowledge of the manner in which Your Committee have used this material may be some compensation for its preparation. Your Committee are convinced that the Exhibits and other material presented to us by the Departments will constitute a most valuable contemporary study of the Public Service as told to us by the Public Servants themselves.

Hansard.

A word of sincere thanks is owed to the Principal Parliamentary Reporter and his staff for the willing co-operation they have given us at all times in attending and reporting meetings of the Committee. The evidence taken by Your Committee is their monument.

For and on behalf of the Committee,

*F. A. Bland*  
 F. A. BLAND  
 Chairman

*R. G. Davey*

R. G. Davey,  
 Secretary,  
 Joint Committee of Public Accounts,  
 Parliament House,  
CANBERRA. A.C.T.

23rd September, 1958.

DEPARTMENT OF THE INTERIOR.DIVISION 65/C/1.TRANSPORT SERVICES FOR OTHER DEPARTMENTS IN CANBERRA.

The Transport Section of the Department of the Interior operates in Canberra a car fleet for supplying a passenger transport service for Parliament and Commonwealth Departments. It also operates the City Omnibus Service, a goods transport service, and provides vehicles on full-time hire to Departments, without driver, for special duty. The latter apply mainly to outdoor officers such as architects, engineers, inspectors, district nurses, etc., and to some Permanent Heads where cars are required for the performance of their duties.

2. For some time past there have been suggestions that there is a lack of economy in the use of official passenger transport. The Auditor-General also raised the matter at a conference of Permanent Heads in 1956 and suggested that ways and means of achieving some economy in the use of vehicles should be explored.

3. Following discussions with the Public Service Board, an Interdepartmental Committee consisting of representatives of the Departments of Interior and Treasury and the Board was set up to enquire into the use of departmental vehicles and to make any recommendations for effecting economies. This Committee's report is now under consideration by the Minister and it is expected that certain recommendations will be submitted to Cabinet shortly.

Funds.

4. Prior to 1942 funds for car transport services in Canberra were provided on the votes of the respective Departments, but from January, 1942, all costs were met from a special vote in the Estimates (lately Division 65/C/1) of the Department of the Interior. This was done with a view to reducing accounting work and thus saving expenditure on interdepartmental adjustments.

Expenditure.

5. Expenditure since 1942 has been :-

		£
1942-43	..	4,290
1943-44	..	5,008
1944-45	..	6,755
1945-46	..	8,204
1946-47	..	15,335
1947-48	..	22,316
1948-49	..	29,432
1949-50	..	39,247
1950-51	..	46,875
1951-52	..	66,837
1952-53	..	75,904
1953-54	..	80,681
1954-55	..	81,352
1955-56	..	94,998
1956-57	..	98,426
1957-58	..	1,07,611

These figures do not include the costs of motor transport for Members of Parliament or the Department of the Interior which are charged to other votes.

6. For the year 1957-58 an amount of £100,000 was provided in the Estimates under Division 65/C/1. In February, 1958, Treasury was informed that based on expenditure up to the end of December, 1957 (£56,000), it seemed likely that a total of £110,000 would be required for the year, and approval was therefore sought to incur the additional liability of £10,000 and for the issue of warrant authority as and when required.

7. The Treasurer, however, was reluctant to anticipate Parliament's approval to the appropriation of the additional £10,000 because of the inquiries of the Interdepartmental Committee and because he understood that Government cars were being used to provide services which could well be avoided by the adoption of other methods for carrying out the work involved. He asked the Minister for the Interior to have an examination made to ascertain whether there were any practicable means of keeping expenditure during 1957-58 within the figure of £100,000 provided for in the budget.

8. The Minister pointed out that the Department of the Interior had no control over the rate of expenditure, this being in the hands of the Departments requiring the service. He added that there appeared to be some unnecessary use of transport and that whilst some savings could probably be effected by laying down certain rules covering car use, any major changes in existing practices would need Cabinet approval. The Minister further stated that it would not be practicable to have these matters determined and any Government decisions implemented in time to have any effect on expenditure for the year.

#### Control of transport.

9. Under present arrangements each Department in Canberra has nominated officers authorised to order cars and any requisition submitted by an authorised officer is met without question by the Transport Section. The Section endeavours to co-ordinate requests to the best advantage but it has no authority to question the need for transport ordered by another Department. The control over car usage can only be exercised by the individual Departments. It has been suggested, however, that Departments are not so inclined to exercise economy in the use of transport for which they are not required to find funds to meet the cost. Because of this arrangements have been made this year to include in each Department's Estimates provision for its transport requirements.

#### Costs.

10. Charges levied on Departments for A.C.T. running are 2/6d. per mile, depot to depot, plus 13/6d. per hour waiting time. The latter averages approximately 5d. for each mile of running. For journeys outside the A.C.T. the charge is 2/8d. per mile. The increased charge for travel outside the Territory is due to the fact that in most cases travelling allowance is payable to the driver. The broad dissection of costs is as follows :-



		<u>Pence per mile.</u>
Wages		13.06
Overhead in nature of pay -		
Sick pay	.35	
Accident pay	.04	
Holiday pay	1.17	
Furlough pay	.23	
Idle time	5.22	
Direct supervision	2.71	
Administration and Accounts staff	<u>1.60</u>	<u>11.32</u>
		24.38 (a)
Other overhead -		
Clothing	.62	
General	<u>.60</u>	1.22
Petrol, oil and grease		2.18
Repairs		3.74
Depreciation		2.75
Tyres and tubes		<u>.77</u>
		35.04 (a)

(a) Includes waiting time on average of about 5d.  
for each mile of running.

11. Private taxis in Canberra charge 1/6d. flag fall and 1/9d. per mile, pick-up to drop, plus 15/- per hour waiting time. Taxi owners have estimated that the average hiring is from two to three miles. On the basis of three miles, the flag fall charge increases the overall mileage rate to 2/3d. The main difference between Transport and taxi charges is that taxis charge only for single journey, pick-up to drop, whereas Transport charges the mileage from the depot to point of pick-up and subsequent return to the depot after completion of the hiring. Comparative charges for typical journeys are :-

<u>Journey</u>	<u>Transport pool.</u>		<u>Private taxi</u>	
	Mileage - depot to <u>depot</u>	<u>£. s. d.</u>	Mileage - pick-up to <u>drop</u>	<u>£. s. d.</u>
Hotel Canberra - aerodrome	12	1.10. 0	6	12. 0
Barton Offices - Civic and return	8	1. 0. 0	6	12. 0
Deakin - National Library	7	17. 6	3	6. 9

12. Transport is obliged to charge both ways because it operates only from one central depot and must recover costs of return running and the driver's time. Taxi operators employ drivers at 6/8d. in the £1 registered on the meter. Under such a system they have no costs for idle time, sick pay, accident pay, holiday pay, or overtime payments. Furthermore, most taxis are of the light vehicle type, such as Holdens, whereas because of the type of service to be provided, more than half of the Transport passenger fleet are of the heavier type such as Chrysler Royals and Dodge Coronets.

13. Comparison with Department of Supply. In the absence of detailed information on the accounting and costing procedures adopted by the Department of Supply it is difficult to make a full comparison between Supply charges and Interior Transport Pool charges. The main difference appears to be in the costs incurred in direct wages and overhead. The following figures in respect of a specific period in Melbourne and Sydney were obtained some time ago from the Department of Supply and are quoted in comparison with A.C.T. costs :-

	<u>CANBERRA</u> d. per mile.	<u>MELBOURNE</u> d. per mile	<u>SYDNEY</u> d. per mile
Direct wages	13.06	10.5	12.72
Overhead	12.54	9.45	8.72
	<u>25.60</u>	<u>19.95</u>	<u>21.44</u>

14. The present Supply rate for passenger car hire is 1/6d. per mile depot to depot, plus 12/- per hour waiting time. It is understood, however, that losses are being incurred on this section of their operations and that the charges are at present being reviewed. Although the Department of Supply provides a Ministerial and passenger car service in Sydney and Melbourne comparable with the Transport Section service in Canberra, it has not the special requirements arising from Parliament; Parliamentary sittings involving the transport of Ministers and some Members to and from the House, and the arrival and departure of Members in and out of Canberra at the beginning and end of each week during sittings, create demand peaks far above regular day-to-day requirements. Staff has to be retained to meet these peaks with consequent idle time during off-peak periods and in addition extra men have to be brought on duty outside their normal rostered shifts at increased cost by way of penalty payments. In short a service has to be maintained to meet the demands of Parliamentary sittings which generally speaking are on three days a week for about six months of the year. Similar peaks are caused at other times by special conferences and important official functions such as S.E.A.T.O., the Citizenship Convention, and the like, and, as happened last financial year, a Royal Visit.

15. Investigations into use and cost of transport. Costs of operating the passenger service are under continual review within the Department. As mentioned earlier, the Department has no control over usage by other Departments. Apart from the recent review by the Interdepartmental Committee, whose report is still under consideration, there has been no detailed investigation into the use of transport by Departments in the last six years.