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R E P O R T

from the

JOINT COMMITTEE OF PUBLIC ACCOUNTS

UPON

"STORES AND SUPPLIES FOR COMMONWEALTH REQUIREMENTS."

MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT
COMMITTEE OF PUBLIC ACCOUNTS.

FIRST COMMITTEE

MATTHEW CHARLTON, ESQUIRE, M.P., Chairman.

JOHN THOMSON, ESQUIRE, M.P., Vice-Chairman.

SENATE.

Senator Thomas Jerome Kingston Bakhup.

Senator Albert Edward Howarth Blakey.

Senator the Honorable James Charles
Stewart.

HOUSE OF REPRESENTATIVES

Llewelyn Atkinson, Esquire, M.P.

Reginald John Burchell, Esquire, M.P.

The Honorable James Mackinnon
Fowler, M.P.

Dr. William Maloney, M.P.

C O N T E N T S.

	PAGE.
Proceedings of the Committee ...	4.
Report	5.
Introductory	5.
Recommendations	33.

PROCEEDINGS OF THE COMMITTEE.

The taking of evidence in the Inquiry upon "Stores and Supplies for Commonwealth Requirements" was commenced on the 7th February, 1916, and terminated on 5th September 1916.

The Committee inspected State Government Stores, and investigated the systems in operation.

Altogether thirty six meetings have been held in Melbourne, Sydney and Adelaide, and the following witnesses have been examined:-

Ashby, Frank Lancelot White, Secretary, Chamber of Manufactures, Melbourne.

Bale, Ernest, Acting Superintending Naval Civil Engineer, New South Wales.

Barrow, John Henry, Accounts Clerk, G.P.O. Sydney

Berckelman, Adolphus, Secretary and Executive Member, Stores Supply Committee, State of New South Wales

Catley, Captain Alexander Herbert, Supply Officer, A.S.C., Department of Defence, Sydney.

Coleman, Charles William John, Chief Storekeeper, Victorian Railways.

Day, Alfred Horwood, Chairman, Supply and Tender Board, State of South Australia

Eagle, Ritchie, Controller of Stores, G.P.O., Sydney

Edward, David Barnett, Acting Chief Clerk, Department of External Affairs.

Evans, Ivor, Managing Director, Brisbane and Co. Ltd., Melbourne.

Francis, Charles Edward, Stores Officer, Central Staff, Department of Home Affairs.

Grosvenor, Albert Westminster, Purchasing Agent, Commonwealth Railways, Adelaide

Harper, Algernon Henry, Secretary, District Contracts and Supply Board, Department of Defence, Sydney

Israel, John William, Auditor-General of the Commonwealth.

Jensen, John Klunder, Acting Chief Clerk, Department of Defence.

Jones, Hubert Harry, Accountant, Department of External Affairs.

Keep, Leonard, John Keep and Sons Ltd., Hardware Merchants, Sydney.

Little, Andrew, Controller of Stores, G.P.O., Melbourne

Lukey, James Thomas, Storekeeper, Supply and Tender Board, State of South Australia

Mackennal, Horace John, Works Director (Victoria)

Macpherson, William Taylor, Holdsworth, Macpherson & Co., Merchants, Sydney.

Maguire, Matthew Michael, Chairman, Contract Supply Board, Department of Defence

Mathias, Elias Morgan, Manager, Pengelley & Co., Adelaide

Monro, John Patterson, Accountant and Traffic Auditor, Commonwealth Railways.

Mortimore, Hugh, Controller of Railway and Tramway Stores, State of New South Wales.

Murdoch, Major Thomas, Director of Works, Department of Defence.

Owen, Colonel Percy Thomas, Director-General of Works for the Commonwealth.

Parkes, George Frederick, Senior Clerk, Lighthouse Branch, Department of Trade and Customs.

Poynton, Joseph James, Director of Supplies and Transport,
 Commonwealth Railways.
 Reed, John Beynon Arthur, Superintendent of Stores, Public Works
 Department, State of New South Wales
 Robinson, Gilbert Ernest, Chief Clerk, Naval Works Branch,
 Department of the Navy.
 Simms, Edward, Chief Clerk, Commonwealth Railways
 Smith, Eran, Acting Works Director, New South Wales
 Sommerville, Archibald, Chief Tender Clerk, Geo.P.Harris, Scarfe
 & Co., Adelaide.
 Stephens, Lovell Edward, Accountant, Central Staff, Department of
 Trade and Customs.
 Swan, William Robert, Acting Director of Naval Works, Department
 of the Navy.
 Thomas, Colonel Thomas John, Chief Accountant, Department of
 Defence.
 Thorne, Edwin Henry, Accountant Clerk, Naval Works Branch, Department
 of the Navy.
 Treacy, Alfred Martin, Director of Naval Stores, Victualling and
 Contracts, Department of the Navy.
 Walters, Henry Latimer, Accountant, Department of Home Affairs.
 White, John Goldsworthy, Secretary, Tender Board, State Treasury,
 Victoria.
 Wilson, Major Archie John Landles, Director of Equipment,
 Q.M.G.'s Branch, Department of Defence

REPORT OF THE JOINT COMMITTEE OF PUBLIC ACCOUNTS UNDER THE
 "COMMITTEE OF PUBLIC ACCOUNTS ACT 1913" UPON "STORES AND
 SUPPLIES FOR COMMONWEALTH REQUIREMENTS."

I N T R O D U C T O R Y.

THE HONOURABLE - The Minister for Home Affairs submitted the following recommendation to the Cabinet:

" STORES - PURCHASE, SUPPLY and DISTRIBUTION."

" RECOMMENDATION TO THE CABINET "

"A question was recently asked in Parliament as to whether the Government would refer to the Public Accounts Committee the matter of the establishing of a Supply and Tender Board, or some effective system of dealing with the Stores of Commonwealth Departments. Consideration of the suggestion was promised.

Mr. R. McC. Anderson, who recently reported upon the business methods of the Defence, Postal and Home Affairs Departments, has made certain suggestions in regard to Purchase, Supply and Distribution of Stores in connection with the various Commonwealth Departments. Other schemes have also been suggested. The Home Affairs Department is particularly anxious that any scheme adopted shall be sufficiently elastic not to interfere with the speedy purchase of materials required in connection with its Works operations all over the Commonwealth, and in this connection deprecates centralisation, being assured that more money can

be lost by hampering works operations through delays, having to use up unsuitable material, etc., than can ever be saved. Experience has shown that already too many people have to be consulted before work can be got going, and the introduction of a Stores Department must mean delay. The matter is one affecting almost all Departments, and it is thought that it will facilitate the Cabinet's final decision if the Public Accounts Committee be asked to look into the various systems and report their conclusions to the Government."

Approval was given to refer the matter to the Committee of Public Accounts for investigation and report. The Committee have therefore the honour to report as follows :-

PRESENT SYSTEMS OF OBTAINING STORES

The Commonwealth at present may be said to have no recognised system of Purchase, Supply and Distribution of Stores, applicable to Departments as a whole.

The Naval, Military and Postal Departments carry large stocks. Their requirements are obtained by (a) direct importations from abroad; (b) Departmental Contracts; (c) State Schedules; (d) purchases in the open markets.

Other Departments purchase direct as required from suppliers, or through State Contracts.

As an indication for a pre-war period (1913-'14) of the aggregate annual value of Departmental requirements for the Commonwealth the following figures may be cited :-

DEPARTMENTS.	£
Prime Minister	1,436
Postmaster-General's	826.986
External Affairs	78.707
Trade & Customs	16.284
Navy	245.327
Treasury	25.112
Attorney-General	2.089
Home Affairs	679.001
	1.874.942

The Defence Department is not included in the above.

The nearest estimate based on value of stocks which can be formed of Defence requirements for the same period is an amount of

562.661

making an annual amount of

22,437.603

The distribution of this total over the States of the Commonwealth is approximately :-

Distributed in:-	£
New South Wales	959.253
Victoria	745.879
Queensland	343.704
South Australia	153.783
West Australia	171.681
Tasmania	63.303
a total of :	22,437.603

In the handling of these stores, representing in value about Two and a half million Pounds, it is essential that some definite system be initiated and carried out for the protection of the interests of the Commonwealth.

The variety of methods at present in operation leads to confusion and does not give the best results in economy and efficiency.

In the Home Affairs Department there exists no system of contracts except in a few cases. The Department works generally on the contracts of the State Governments in Victoria and New South Wales for building material. There is no constraint on either party, but the Contractor has in isolated cases, refused to supply. Usually the ordering of Stores is decentralised but in cases involving the calling of tenders in more than one State, it is done through the central authority.

The Central Tender Board of the Post-Master General's Department invite tenders for materials which are common throughout the Department and requirements are afterwards distributed to the States direct by the Contractor.

For requirements other than those included in above, supplies in each State are either obtained by calling tenders returnable to the local Departmental Board, or by taking advantage of State Contracts.

Telephones and switchboards are imported from overseas by the Department.

Supplies for Naval and Military requirements are obtained independently of each other. In the latter case all contracts are entered into through the Departmental Contract & Supply Board.

The Government factories, such as the Clothing and Harness Factories, and the Woollen Mills - also obtain their supplies through this medium.

In some instances the State schedules are utilised, and the Department also indents from manufacturers in England through the High Commissioner, and directly from American manufacturers.

Military requirements in connection with the Stores obtained by the Board may be divided into three classes :-

- (1) Stores for the local purchase of which arrangements are made by the Contract and Supply Board Melbourne, after tenders have been invited throughout the Commonwealth. Under this section the Commonwealth, for the purpose of tenders is regarded as a whole.
- (2) Stores which are purchased locally by the district Contract and Supply Boards in each State under standing or other authority.
- (3) Stores imported direct by the Department.

The Stores included in the first class comprise the bulk of the articles of clothing and equipment.

Stores under Class 2 are chiefly provisions, forage, fuel and stores for general use.

Stores included under 3 consist of material and articles of equipment which cannot be made locally. These are usually obtained through the High Commissioner in London.

There is no Tender Board in connection with the Naval Department. Stores are obtained as far as possible by Contract entered into by the Minister upon recommendation of the Director of Naval Stores to whom tenders are returnable. Practically all requirements

from abroad are obtained through the Admiralty - who charge 10% to 30% on the invoice price of such goods as go through their stores. They make no charge on direct supplies.

There are no annual contracts for the supply of stores for Naval Works. When stores are required for this Branch requisitions are sent from the different bases to the Director of Naval Works who passes same to the Director of Naval Stores for the purposes of inviting tenders, these are considered and accepted by the Naval Board.

In Victoria and New South Wales the State Schedules are availed of as far as possible. When it is considered advisable to buy outside these schedules, and where the value is over £300 at least three tenders are obtained for approval. Where the value is under £300 competitive quotations are invited.

The Naval Establishments at Cockatoo and Garden Islands may obtain items to the value of £300, under local authority. Where this amount is exceeded quotations or tenders are submitted for Naval Board approval.

The Stores required for works under the control of the Department of External Affairs are comparatively small. The Department, however, controls to some extent the supply of stores for the Northern Territory, Papua and Norfolk Island.

The Administrator of the Northern Territory purchases stores direct to the value of £100. Where the cost exceeds that amount approval of the Minister is obtained to purchase upon tender and in the most convenient centre.

Stores required by the Department of

Trade and Customs are mainly in connection with the maintenance of Lighthouses. Particulars are supplied by the Lighthouse Branch to the Comptroller-General of Customs.

Ordinary supplies are obtained through State Schedules in Victoria, New South Wales and South Australia.

Since the War there have been practically no contracts in Queensland, West Australia and Tasmania which could be taken advantage of, hence at least two quotations are submitted from these States for approval to the Comptroller-General.

There is a Departmental Tender Board in existence who invite tenders for large supplies and all stores exceeding in value an amount of £50 are dealt with by this Board.

Stores other than those required for Lighthouses are bought in the centre nearest to the point of consumption, under the authority of a District Officer. They mostly represent ships' stores.

Constructional materials for works are obtained where possible by taking advantage of the contracts existing in other Departments. These requirements are for the most part timber and cement.

The greater portion of the lighting apparatus has been procured in England, after tenders have been called; although some difficulty has been experienced in placing orders during the War. As far as possible the work is executed in the Commonwealth.

OBJECTIONABLE METHODS.

The Committee during the course of their investigations of the systems in operation became

acquainted with some features in the manner of purchase and supply which appear to point to lax supervision.

In dealing with the food stuffs for men and horses in military camps for the whole of New South Wales and Rabaul the responsible officer stated: "Where it is impracticable to advertise, I exploit the markets every day and obtain the best value."

"No limit at all is imposed upon the amount of supplies I may purchase provided that in my opinion it is justifiable."

There are no large contracts running "with the exception of those for meat and bread."

Question: Have you power to purchase outright any article that you may require ?

Answer: I have done so.

Question: To what extent have you that power ?

Answer: I have power to purchase anything, say up to £1,000.

Question: You do not have to get the approval of the Commandant or the Minister ?

Answer: Our orders are to purchase in the open market as required, at the lowest prices.

Question: You say that the purchasing is left to yourself entirely ?

Answer : Practically.

Question: Why do you say "practically" ?

Answer: In some instances it is, but in the case of large quantities I like to get the approval of the Commandant.

Question: But you have already sworn that you have purchased large quantities of stores on your own initiative ?

Answer: But in such cases I have asked for approval.

Question: Before purchasing ?

Answer: Practically, I cover myself and then get the approval afterwards.

Question: But if you commit yourself to a purchase you are responsible for seeing it through ?

Answer: That is quite right.

Question: You have power to purchase at your own discretion ?

Answer: Yes.

The same officer on being recalled subsequently informed the Committee that the previous day he had purchased £3,000 worth of Jam and he gave the following further evidence :-

Question: Who gave you authority to purchase in the open market ?

Answer: The Quarter Master General instructed our Department to purchase our requirements in the open market.

Question: In regard to the £3000 which you purchased yesterday, did you have to refer to the Quarter Master General before purchasing ?

Answer: No, I acted on the general order.

Practically the same method is followed in buying goods for the stores which supply the employees on the Kalgoorlie-Port Augusta Railway Construction.

These goods include groceries, draperies, boots, hardware, tinware etc.

The purchasing agent stationed at Adelaide has carte blanche to purchase whatever quantity is requisitioned and he may purchase in excess of the requisitions if he considers it wise to do so.

Question: When you require a particular commodity how do you proceed?

Answer: I personally call upon all the firms who stock that commodity. My policy is to keep all the firms in healthy competition.

Question: Do you consult with anybody?

Answer: No; I do the whole of the work by myself.

The value of such goods purchased during twelve months ending April 30th. 1916, amounted to £40,558.

The Audit Office found cases where some Departments were paying more for an article than other Departments. In a recent instance in New South Wales the Military Authorities were purchasing drugs without tender at a greater price than they might have paid if the goods had been bought under the State Contracts.

Another witness referring to stores purchased other than under contract was of the opinion that such methods conduce to looseness or corruption.

"The more supplies you can get under contract the less open you are to lack of care or worse."

ACCOUNTS FOR STORES AND DISCOUNTS

The payment and checking of accounts is governed more or less by Treasury Regulations.

The system generally adopted by the Department is that after delivery of the goods, accounts are sent to the storekeeper for his certificate as to receipt and quantities etc.

After clerical verification a statement is prepared of the accounts certified and passed for payment, for the information of the Paying Officer, who obtains receipt from the claimant upon payment.

The Defence Department obtains discount in some instances in the purchase of provisions, but quotations for clothing and equipment are always nett.

The Victorian Tender Board contracts make no provision for a reduction by discount for prompt payment.

As regards the general schedule of the Supply and Tender Board in South Australia, the prices are nett, but in isolated cases discounts are obtained for lines, such as sugar and blankets, provided payment is made within seven days.

Under the New South Wales Government Contracts the State Departments obtain on "all annual contracts for steel, iron and ironmongery a discount of 2½% provided the claims are paid within one month following that in which the goods are delivered. The idea of putting that provision in the conditions of the contract is to avert delays in the Departments in satisfying the claims of contractors. If the State Auditor-General finds that discount has not been secured he promptly sends along a query. On the first occasion the officer who is responsible is let off, but if failure occurs a second time, he is called

upon to pay the discount out of his own pocket. That practice has had a very good effect."

The Commonwealth Departments participating in these contracts reap the benefit of the discount provided the terms of payment are fulfilled.

It was given in evidence by a contractor that "in calculating the price at which we tender, these details are taken into account."

In regard to the dilatoriness in the payment of accounts by the Commonwealth, a witness stated that this is a matter upon which some more satisfactory arrangements will have to be arrived at, as "if a tenderer, who has to trim his sails according to his capital, knows that he will get his money within 30 days, he is in a position to tender at a lower price than he can otherwise do."

A suggestion was put before the Committee that a margin of sixty days should be allowed for the payment of accounts, and that after the lapse of that period the account should bear interest at six per cent.

"If the officer responsible in the Department was made liable to bear the interest there would be some limit to the length of credit, suppliers are supposed to give."

Another witness was of the opinion that "contractors should be able to receive progress payments up to a certain percentage of the value of the goods delivered. In connexion with Commonwealth jobs we have been told that no money could be paid until the whole of the work was delivered."

"STORES PECULIAR TO A DEPARTMENT;"

Defence. Evidence was put before the Committee of the necessity of such Departments as Defence, Naval, Post Office and Railway Construction Branch, retaining supreme control over their own peculiar requirements and necessitating the upkeep of departmental stores for the storage in bulk of articles of a technical nature.

This evidence may be summarised as follows. It would not be advantageous for the Department to be obliged to go to a Central Tender Board for technical stores. The Department being responsible for the equipment claim the right to retain control over all military stores.

In the storing of such goods it is of primary importance in the event of mobilization that they may be readily and speedily available.

It is imperative from a naval standpoint that large stocks should be held as a big proportion of Navy requirements are imported, and water-borne commerce is the first to suffer interruption in time of war.

The situation of a Naval Store is also a matter of consideration, it must be at the water's edge to allow ships to come alongside, so that the stores can be placed directly in the ship.

From a Naval point of view there would be a great objection to divided authority over, "for instance, a coal hulk". If other Departments had access to the supply which is maintained in outlying stations, war ships might find that their stock was not there when they required it.

Contracts for Naval victualling must comply with the Commerce Regulations, and are subject to inspection by officers of the Customs Department.

Contracts usually extend over six months and need to be very elastic as with such a service it is not always known when the ships will be coming into port. These contracts are therefore drawn to meet these special conditions.

For strategic reasons it would be better for the Defence and Naval authorities to individually control the requirements peculiar to their Departments.

Postal. There are also articles peculiar to Post Office requirements which would not be purchased for any other Departments:

Electrical apparatus and equipment for telephony is uniform throughout the Commonwealth. It is practically all imported and is tested by experts. Articles which are common to all Departments are obtained through State Schedules.

At present the Department has considerable store accommodation.

Railways. The bulk of materials employed in the construction of Commonwealth Railways are special to this Department. After construction there are running stores and materials to be supplied. Some of these are of a special nature.

In Victoria at present a Stores Board constituted of the heads of the consuming Branches is presided over by one of the Railway Commissioners, and all matters relative to the purchase and obtaining of supplies, custody and issue of stores are under the control of that Board.

In New South Wales the Railway Commissioners assisted by their officials control the contracts.

In South Australia the Supply and Tender Board handles all Supplies for the Railway Departments.

with the exception of engines and rolling stock.

In Western Australia the Railway Department joins with other Departments in obtaining its supplies through a Supply and Tender Board and has a representative on that Board. The practice however is not followed for the purchase of material required for rolling stock. Requisitions for machinery etc. are referred through the Railway Storekeeper to the Commissioner the matter then going to the Tender Board who invite Tenders and submit recommendations to the Commissioner.

In addition to the Railway Department in Victoria, the State Rivers and Water Supply Commission have the right to arrange for their own exclusive supplies. In New South Wales the Metropolitan Board of Water Supply and Sewerage, and the Sydney Harbour Trust have a similar right.

The Secretary of the Victorian Tender Board informed the Committee that the principle is recognised that State Departments may have something special about them necessitating their having authority for securing supplies, but where their requirements are identical with those of other Departments they invariably draw through State Contracts.

STATE SYSTEMS OF OBTAINING SUPPLIES.

In Victoria there is a Tender Board consisting of fifteen members who are heads and sub-heads of Departments. The Board is governed by the Stores and Transport Regulations and has no executive power, the decision of the acceptance of the Board's recommendations resting with the Treasurer.

Each year the Departments furnish the Tender Board with schedules of their requirements, and after classification, tenders are invited. There is no central distributing or receiving store, the requisitioning officer being supplied by the Contractor direct. There are departmental stores in connexion with certain Departments and Institutions, such as hospitals for the insane &c. In the event of the Contractor failing to supply within a prescribed time the goods may be purchased at his risk and expense.

The testing of stores is dependent entirely upon the officers receiving the supplies. The various lines are sought to be standardised, as far as possible and fully set out in the schedule of contract. Samples of all goods included in contracts are held by the Board for inspection. Lines not included in Contracts are purchased on quotations submitted for the Board's decision, or in the event of large quantities, on tenders called for by the Board.

Goods required in cases of emergency and where loss would accrue through delay may be purchased to the limit of £10 by each Department.

In New South Wales there is a large central store under the control of a State Supply Committee which consists of three members.

This Committee deals with all matters connected

with arranging supplies for the different Branches of the State Public Service, having full power to arrange contracts and conditions governing same, without reference to a Minister. The only exceptions are the Public Works Department and the Railways and Tramways, other Departments requisition on the Store Supply Department for all their goods.

The Central Store in Sydney is an essential part of this system, as the Committee indents largely and accommodation is necessary to store shipments upon arrival and pending distribution. All stores, where practicable, are analysed or tested, and nothing goes into stock that is not up to sample. Standards being closely adhered to.

Eliminating certain features of the N.S.W. Stores Department which do not strictly belong to it, the Secretary estimated the cost of running the establishment at 28,000 per annum.

The Public Works Department of New South Wales in regard to general stores operates on the contracts arranged by the Stores Supply Committee, but receives all its supplies direct from the contractors. Where the Committee's Contracts are unsuitable or in the case of special plant the Department is empowered to purchase outside by tender or quotation.

Such material as steel is imported where necessary directly through the Agent-General.

The Railway Stores Department is under the management of a Comptroller who is in charge of all supplies for Railways and Tramway Services.

Large stocks are held at various stores and

sub-depots to make readily available goods in frequent use.

Stores are obtained as follows:-

- (1) annual contracts.
- (2) Contracts for specific quantities.
- (3) Purchases out of contract by (a) Special Tender on Standard Quotation form and (b) Quotations on general list circulated daily amongst Merchants and Contractors.
- (4) Manufacture in Departmental Shops.
- (5) Overseas purchases through
 - (a) The Agent-General in London and
 - (b) The Departments' buying agents in America.

The South Australian system is worked under somewhat similar lines as apply in New South Wales, but is more comprehensive in that it embraces the requirements of all Departments including the Railways. Exceptions are made in regard to engines and rolling stock for railways, and Dredging excavating and pumping plant required by any Department of the service. Under the Public Supply and Tender Act, the Supply and Tender Board call for tenders and let contracts for all stores required for the service, and control the purchase, care, inspection and issue of such material.

The General store and yards are situated at Port Adelaide and occupy $11\frac{1}{4}$ acres.

Towards covering the working expenses of the Public Stores Department a percentage is debited on the cost value of stores issued, and on the 1914/15 turnover of £1,272,233 expenses were £30,127 equal to 2.36%.

"EVIDENCE AND SUGGESTIONS" from Witnesses outside
the Public Service"

The Associated Chambers of Commerce were approached in an endeavour to obtain evidence from gentlemen interested in business apart from Government control, but with knowledge of Governmental requirements. With this end in view various representatives of Government Contractors were examined.

Mr. Ivor Evans, Managing Director of Messrs. Briscoe & Co. Ltd. said "We have large dealings with the Federal Government and in connexion with tenders recently called for by the Victorian Tender Board a situation has arisen whereby the position of the Commonwealth under such tenders will have to be rectified."

Hitherto the Commonwealth has reserved to itself the right to operate under any State contract. "The tenderers have had no objection to that, but they do object to the Commonwealth having the right to draw upon them under a particular tender when it suited them, and when the circumstances might press hardly on the contractor, whilst, if the market went in favor of the contractor, the Commonwealth could buy outside. That is an unfair position, and for the future we shall decline to tender under those conditions. - The Commonwealth may either come under the Victorian Tender Board entirely, or stay outside."

"It can easily be imagined how a contractor may lose if the Commonwealth Government only buys through the Tender Board when the market is against the contractor, and goes outside when the market turns in his favor."

"As a result of representations made to the Victorian Tender Board on this matter, the following

conditions will appear in the new form of tender:-

"Under this contract goods may be ordered by any Department of the Commonwealth, but it shall be optional on the part of the Contractor to supply."

The same objection to the present system was also voiced in Sydney and Adelaide.

Mr. Evans expressed the opinion that the Contractors would be prepared to carry stocks for Commonwealth requirements and the little margin there is to the merchants on Government contracts would not justify the Commonwealth in establishing itself as a general merchant. He was in fact indenting for a certain Department on the basis of $2\frac{1}{2}\%$ on the landed cost and was prepared to continue doing so practically without limit. In the event of the Commonwealth calling for tenders for its supplies separately from that of the States Mr. Evans, along with others, did not think that this would mean an increase in price to either Government, as the increased quantity does not seriously affect the price. Further in the event of the Commonwealth and the State requiring the same class of goods it would not tend to raise prices.

It was suggested that in the event of any scheme being put into operation that the Riverina portion of New South Wales should be supplied from Victoria, following on the trade practice.

Mr. L. Keep, (Messrs. John Keep & Sons Ltd.,) of Sydney, said that in the event of tenders being called for the whole of the Commonwealth his firm would tender for supplies in New South Wales only, as a firm doing business in one State had not the facilities to compete against houses established in other States. This view was endorsed by other Witnesses.

Should the Commonwealth have its own Stores for distributing purposes it would have to pay packers etc. and be responsible for breakages, whereas under existing conditions the merchants shoulder these charges.

Mr. E. M. Mathias, Manager of (Messrs. Pengelly & Co., of Adelaide) was of the opinion that the business of State and Federal Governments should be conducted separately. He also thought that tenderers should have the right to be present at the opening of all tenders, as publicity of that kind would be far better for all concerned.

A hardship which Contractors laboured under at present was in connexion with certain contracts entered into by the Military Departments, no indication as to place of delivery being given until the contracts had been signed.

Mr. Somerville, representing Messrs. Geo. P. Harris Scarfe & Co. Ltd., of Adelaide said that his firm as Contractors were quite satisfied to supply the Commonwealth on the same terms as regards conditions and prices as they supplied the State.

In his opinion an arrangement for supply as between the two Governments would be more economical than a duplication of existing machinery. The rate of commission at present charged the Commonwealth in South Australia for goods purchased from contractors through State Contracts is 3% and for goods purchased out of the Government Stores it is 5%. This statement regarding the rates of commission was confirmed by Mr. Day, Chairman of South Australian Supply and Tender Board.

ALTERNATIVE SCHEMES.

The evidence with regard to the re-organisation of the purchase, supply and distribution of Commonwealth stores may be summarised under the following headings:-

- (A) Commonwealth participating in State Contracts. The State acting as Agent for the Commonwealth on terms to be agreed upon.
- (B) Commonwealth co-operation in State Contracts, with representation on State Tender Boards.
- (C) Commonwealth Central Tender Board, with or without representatives in States.
- (D) Commonwealth Central Tender Board and Store, with or without branches in States.

Schemes A. and B.

Dealing first with the question of amalgamating Commonwealth and State interests it is difficult to form a decisive opinion based on the expressions of the various witnesses, for the reason that their views are so much in conflict.

Commonwealth Departments have previously enjoyed the position of being able to avail themselves of State Contracts when they suited, or by purchasing in the outside market should lower rates be obtainable.

Witnesses were in favor of a continuance of such action but as already pointed out, this concession has now been denied the Departments in Victoria, and the evidence showed that presumably only a very short time will elapse before other States take similar action.

One witness said "any concentration that is possible is likely to be beneficial so long as it is compatible with the requirements of the different branches".

A Federal Officer referring to the charges paid by his Department for goods bought through State contract was of the opinion that the Department "could not provide facilities and get the work done as cheaply as it is done now."

The Secretary of the Victorian Tender Board did not think there was any advantage in the Commonwealth preparing and issuing separate schedules for lines which were identical with those of the State.

Some witnesses held the view that the consequent cost entailed in the duplication of machinery to control Commonwealth interests, was a factor which detracted from the value of any such system.

Other witnesses in speaking of the disadvantages under which Commonwealth Departments labour said that State schedules were inadequate to meet their requirements and meant the introduction of separate Departmental Boards &c. to provide against these shortcomings.

Mr. Keep, Merchant, of Sydney was of opinion that "the Commonwealth could improve matters a lot by having its own tenders," and instanced the Sydney Harbor Trust as an example of a Department "buying its goods under its own supply and Tender Board instead of using that of the State, with the result that it is now doing very much better than it did formerly."

The Director of Naval Stores says that his Department "does better by going outside of State Contracts."

Amongst other witnesses the opinion was expressed that as regards many items the goods under State Schedules" are not suitable and the Commonwealth suffers not only in regard to price but by the delay in asking for quotations." Also "if a little hitch occurs anywhere in the Commonwealth Department they

have to refer to the State Stores Supply Committee to settle it."

Several witnesses pointed out that Departments such as Military, Naval and Post Office had certain requirements which were technical and could not be obtained under the existing State Contracts.

The Committee were informed that facilities would probably be offered for Commonwealth representation on New South Wales and Victorian Tender Boards.

The opinion was expressed in South Australia that it would be a mistake to have a Commonwealth officer on the State Tender Board, nor would there be any economy in having such representation.

Amongst the objections raised to the present methods in operation was the difficulty of obtaining uniformity amongst Commonwealth Departments in the purchase, supply and distribution in the various States. Each State being worked independently considered only its own requirements, consequently Commonwealth participation in the facilities now existing necessarily means adopting to a large extent State methods.

Scheme C.

With regard to establishing a Commonwealth Tender Board, with or without representatives in States several witnesses favoured the Commonwealth assuming charge of their own requirements through the creation of a Board to control contracts.

Mr. J. W. Israel, Auditor-General of the Commonwealth, thought "that it would be better if the Commonwealth were to have its own contracts as the conditions vary in the several States. He thought that if there was one Commonwealth Tender Board, we would be likely to get rid of the anomalies which occur at times

in Departments, obtaining the same class of things, sometimes at varying prices."

Representatives of the Home Affairs Department suggested a "central controlling body composed of officers of the large purchasing Departments. The Departments to furnish the necessary information regarding supplies. The Board to have power to enter into contracts on its own account, to sue and be sued and to own property on behalf of the Commonwealth. It would need to have considerable latitude under the direct supervision of the Treasury in the matter of the money that it would be permitted to spend. The Board should take supreme control of the Commonwealth purchase, storage and issue of all supplies leaving the individual Departments some of the powers which they now exercise in respect of their own peculiar requirements."

A witness from this Department in New South Wales thought that the Board would answer its purpose provided there was no centralization, which would result in delay.

Mr. Day, Chairman Supply and Tender Board, South Australia, was of the opinion that an officer or a Board should deal with the supplies of each State directly, as if all matters had to be referred to a central authority, the system would become unworkable.

Mr. Lukey, of the same Department, supported this view adding that "public tenders could be referred to a central office; but there are times when the local authorities should have power to act immediately."

Mr. Little, Storekeeper, G.P.O. Melbourne advocated a Stores Department in each State with a central control.

Mr. Ivor Evans, Managing Director, Messrs. Briscoe & Co. Ltd. said there should be a Central Tender

Board and preferably a referee in each State, "because the contractors must be in each State." He added "excepting very isolated instances, no contractor would undertake to supply the whole of Australia."

Mr. Berckelman, Secretary and Executive Member Stores Supply Committee, New South Wales said, "I think the Commonwealth should have a Supply and Tender Board, but I do not think such a body should arrange for similar contracts to those arranged by the State Board. At the same time it should be possible to arrive at some arrangement under which a Commonwealth Supply and Tender Board might be established to deal with a great many lines which are not dealt with by the State Tender Board."

In Mr. Berckelman's opinion the Constitution of such a Board should consist of "departmental officers in preference to outside business men."

Mr. J. B. Reed, Superintendent of Stores, Public Works Department, New South Wales, said "the vital consideration is the constitution of such a Board. You would require upon it, a commercial man, an engineer, and a man who is conversant with general stores. In my opinion a Board composed exclusively of clerical men would not be a success. I would get the best men available, especially from the commercial side."

Amongst business witnesses representing outside Business Houses Mr. Mathias, Manager, Messrs. Fingelley & Co. of Adelaide, thought that the "Commonwealth might appoint a Board comprising from three to five members with a referee in each State" to deal with disputes.

Mr. Evans favored "three members forming a Central Board, one of whom should represent the Treasurer's Department which has to find the money, and two commercial men, outside of the Departments."

Mr. Keep was of the opinion that Departmental

Officers should constitute the Board.

Scheme D.

After consideration of the foregoing where the concensus of opinion seems to incline to the creation of a Commonwealth Tender Board with State representation the question of providing for a Central Store only or one with branches in the various States was investigated by the Committee.

Shortly put there are three aspects of this question, and various witnesses to support each view.

To quote from the evidence the opinions are :-

- (1) "I think that one Store in each State ought to be capable of dealing with the Commonwealth's requirements."
- (2) "My view is that the Commonwealth should have a central store in which it should stock everything which is commonly used in all Departments, or articles which have to be tested."
- (3) "Why should the Commonwealth bear the great expense of carrying stocks when the Contractor is willing to carry them for the sake of getting the business?"

Some idea of the cost of stores has already been given in relation to New South Wales and South Australia under the heading dealing with "State systems of obtaining supplies" -

The following figures relate to existing stores of the Postmaster-General's Department, situate in the capital Cities of the Commonwealth:

Premises.	£82,000.
Stocks.	823,000.
Issues.	827,000.
Expenses	57,000.

The percentage of expenses on Issues is 6.89% not including Interest on Property or Stocks.

Taking these figures as a basis of expenses for the total Commonwealth's annual requirements, viz., £2,437,603; the expenses would be £168,000: Making allowance on the same basis for existing Stores controlled by the Defence, Naval and Postmaster-General's Departments, the additional expense would be £55,320.

In regard to the proposal to have one central store for the whole of the Commonwealth: various witnesses raised serious objections such as undue centralization causing extra freights on distributions and much inconvenience and delay in supplying distant States.

Contractors invariably informed the Committee during the course of the enquiry that they are willing to carry stocks for Commonwealth supplies, provided they have the necessary data for estimating quantities of requirements, and making contracts extending over fixed periods.

" COMBINATION WITH STATES"

Seeing that most of the States have machinery already in existence, for the securing and distributing of their own Stores, the Committee consider that a duplication of such machinery for Commonwealth purposes is not economical nor desirable.

Evidence was given which goes to shew that some of the State Governments are prepared to undertake all work required in connection with procuring and distributing stores for the Commonwealth on terms which commend themselves to the Committee. We therefore recommend that the Government enter into negotiations with the various State Governments with a view to co-operation in this regard.

The services to be rendered by the States would include the calling and acceptance of tenders, the carrying of patterns and designs, and forwarding Commonwealth requirements to all places within their respective States to the satisfaction of the Central Board.

" ESTIMATES AND TENDERS "

It should be the duty of Heads of all Departments to prepare estimates, of annual requirements.

Upon receipt of these estimates the Central Board, after revision, should in the event of satisfactory arrangements being made with any or all of the States, request such States to proceed to secure the articles enumerated.

Tenders to be invited throughout the Commonwealth.

In States where satisfactory arrangements cannot be made, the Central Board should invite biennial tenders by public advertisement for the supplies of that State or States.

Before acceptance of tenders the Central Board should refer to the Commonwealth Local Boards all tenders for their report.

" COMMONWEALTH SUPPLY BOARDS IN STATES."

Local administration being desirable particularly in regard to the prompt settlement of ^{matters} indispute, and maintenance of standards, the Committee further recommend the establishment in each State of Commonwealth Local Boards.

Such Boards to consist of the Officers controlling the following Departments: viz:- Postal, Home Affairs and the Public Service Inspector.

For the purchase of such requirements as are not included in the annual contracts the Commonwealth Local Board should invite tenders or quotations. Where such requirements exceed £100 in any one line the Tenders or quotations to be submitted with recommendations to the Central Board for acceptance.

" STORE PREMISES "

The Committee is unable to recommend the establishment of Commonwealth Store premises, being of opinion that the Victorian system which stipulates that the Contractors must carry a certain reserve of Stores, best meets the requirements of the Commonwealth.

A depot is all that is required where the goods included in a requisition covering several contracts could be assembled, packed and despatched.

In the opinion of the Committee the necessary depots can be found, together with the staffs required, by a re-arrangement of the facilities already existing in each State.

" REQUIREMENTS PECULIAR TO DEPARTMENTS."

During the course of this enquiry several of the Departments claimed that certain of their requirements are peculiar to themselves, but the Committee on closer investigation found that many of these are substantially the same as in use by another Department, and recommend that a schedule of all requirements of every Department be submitted to the Central Board for comparison.

Where in the opinion of the Board such requirements are really technical and peculiar, the Board may approve of the Department acquiring such stores direct, but where they are in use by at least two Departments they shall be included in the general schedule of contracts.

" URGENT SUPPLIES "

In cases of emergency and where supplies are not included in the schedule of contracts, the responsible officer shall after having obtained approval on a special requisition form, obtain quotations and submit them to the Commonwealth Local Board for acceptance.

In conclusion, the Committee desire to express their appreciation of the information and assistance rendered by Witnesses examined.

H. P. Herbertson

Chairman.

14th September, 1916.