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1922.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

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INTERIM REPORT

FROM THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS

UPON

SUGAR.

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MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Third Committee.)

The Honorable JAMES MACKINNON FOWLER, M.P., Chairman.

JAMES EDWARD FENTON, Esquire, M.P., Vice-Chairman.

Senate.	*House of Representatives.*
* Senator THOMAS WILLIAM CRAWFORD.	JAMES GARFIELD BAYLEY, Esquire, M.P.
* Senator the Honorable JOHN EARLE.	WILLIAM MONTGOMERIE FLEMING, Esquire, M.P.
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‡ Senator JOHN DUNLOP MILLEN.	‖MATTHEW CHARLTON, Esquire, M.P.

* Resigned 28th July, 1920.—† Retired 30th June, 1920.—‡ Appointed 20th July, 1920.—§ Appointed 26th July, 1922.
‖ Appointed 1st July, 1920; discharged from attendance 26th July, 1922.

INTERIM REPORT UPON SUGAR.

Recognising the necessity for an investigation of the sugar question, particularly as the Commonwealth itself had become a participant in the industry, the Joint Committee of Public Accounts on 25th July last decided, under the powers conferred upon it by the *Committee of Public Accounts Act* 1913-1920, to inquire into the matter. Whilst making its preparations to commence the work the Committee was asked by the Prime Minister to investigate and report upon the operations of the Commonwealth Sugar Control. It was added that an interim report was desired as to the retail price at which sugar can be sold in Australia under the existing contract for the purchase of the Australian sugar crop, without loss to the Government. The Committee in reply intimated that it proposed to enter immediately upon an investigation of the Sugar question, and agreed to give its first attention to the phase of the inquiry indicated by the Prime Minister.

The Committee now reports that the Accountants, Messrs. S. J. Warnock and E. V. Nixon, engaged to assist it in carrying out the investigation, have as a preliminary step tested figures prepared by the Commonwealth Sugar Board, and presented to Parliament, as under:

(*a*) Dissection of Sugar Costs under 1922-23 refining conditions showing how the selling price of 6d. per lb. is arrived at.
(*d*) Dissection of Sugar Costs under existing contract showing how the proposed retail selling price of 5d. per lb. is arrived at.

The Report of the Accountants is as follows:—

Melbourne,
31st August, 1922.

The Chairman,
Joint Committee of Public Accounts,
Parliament House, Melbourne.

SIR,

In accordance with your instructions, we have checked the undermentioned Statements of Sugar Costs prepared by the Commonwealth Government Sugar Control and presented to Parliament.

Statement A shows the various manufacturing and handling charges up to the point when the sugar is available for sale, and, in addition, the amount allowed for distribution and the margin of profit estimated to be realized by the Sugar Control if sugar is sold at 6d. per lb.

Statement B shows the various manufacturing and handling charges up to the point when the sugar is available for sale, and, in addition, the amount allowed for distribution if the retail selling price is reduced to 5d. per lb.

The Statements may be summarised for comparison as follows:—

	Statement A. 6d. per lb. £ s. d.	Statement B. 5d. per lb. £ s. d.
1. Amount which Government must recover	39 15 0	39 18 0
2. Wholesale and retail distribution allowances ..	9 18 10	6 15 4
3. Profit to Sugar Control	6 6 2	Nil
Total	£56 0 0	£46 13 4

The amounts allowed for wholesale and retail distribution are determined by the Sugar Board, and are to that extent controllable.

We have, therefore, concerned ourselves with the items comprised in the sum described as "Amount which the Government must recover."

The estimate is based on the following factors:—

(1) Prices fixed by the Contracts with the Queensland Government, the Colonial Sugar Refining Co. Ltd., and the Millaquin Sugar Co. Ltd.
(2) Estimated processing waste in refining.
(3) Estimated charges for other expenses.

The following summary shows the dissection of expenses into these groups:—

Statement A.

	per ton. £	s.	d.	per lb. pence.
(1) *Charges fixed by Contract*—				
Grower (approximately) ..	19	6	8	2·071
Miller (approximately) ..	11	0	0	1·179
Add for average excess of sugar ..	0	16	2	·086
	31	2	10	3·336
Sacks ..	0	3	3	·018
*Refining charge (maximum) ..	1	9	0	·155
Selling charge ..	0	7	0	·038
Managing charge ..	1	0	0	·107
	34	2	1	3·654
(2) *Estimated Processing Waste in Refining* ..	0	19	3	·103
(3) *Estimated Charges*—				
Freight to refineries ..	1	9	0	·155
Shipping and landing charges ..	0	11	1	·059
Coal used in refining ..	0	10	6	·056
Packages used for refined products ..	1	0	11	·112
Interest on financing 1922 crop ..	0	15	0	·080
Export rebate and sundry expenses ..	0	5	0	·027
Freight on refined products for Tasmania and Albany ..	0	2	2	·012
	4	13	8	·501

The sum of all these charges represents a cost to the Sugar Board of £39 15s. 0d. per ton, or 4·259d. per lb.

Of this total, £35 1s. 4d. per ton, or 3·757d. per lb., is determined by the terms of the various contracts, leaving only a balance of £4 13s. 8d. per ton, or 0·501d. per lb., *subject to fluctuation.*

The charges included in Item (3), amounting to £4 13s. 8d. have been estimated chiefly on the basis of the expenses actually incurred in handling the 1921 Crop, as shown in the accounts submitted by the Colonial Sugar Refining Co. Ltd. As the production for 1921 was of approximately the same tonnage as that anticipated for the current season, we have accepted this estimated basis as fair; but consequential alterations have been made in accordance with information at present available with regard to any probable alterations in 1921 figures.

These estimates have also been confirmed in writing by the Colonial Sugar Refining Co. Ltd. at the request of the Secretary to the Sugar Board.

Statement B differs from *Statement A* only in regard to the amount provided for export rebates and sundry charges, which have been increased by 3s. per ton, or ·016d. per lb. This difference is negligible, and for the purposes of discussion the costs under the two statements may be regarded as identical.

The following summary groups the same information in such a manner as to show the amount paid for each part of the process of manufacture and handling up to the time when the sugar is available for sale:—

		per ton. £	s.	d.	per lb. pence.
(1) *Grower and Miller* ..		31	2	10	3·336
Processing waste ..		0	19	3	·103
	80·75 per cent.	£32	2	1	3·439

* Note.—This estimate of £1 9s. 0d. may be reduced slightly if the refining charge proves to be less; but we are not in a position to express any opinion as to the prospect or amount of any such reduction.

		per ton. £	s.	d.	per lb. pence.
(2) *Disbursements*—					
Sacks ..		0	3	3	·018
Freight, &c., to refineries ..		1	9	0	·155
Shipping and landing charges ..		0	11	1	·059
Coal used in refining ..		0	10	6	·056
Packages for refined product ..		1	0	11	·112
Interest payable by Control ..		0	15	0	·080
	11·29 per cent.	£4	9	9	·480
(3) *Colonial Sugar Refining Co. Ltd.*—					
Refining charge ..		1	9	0	·155
Selling charge ..		0	7	0	·038
Managing charge ..		1	0	0	·107
	7·05 per cent.	£2	16	0	·300
(4) *Additions to cost to cover Concessions to certain consumers*—					
Export rebates ..		0	5	0	·027
Freight to Western Australia and Tasmania ..		0	2	2	·012
	0·90 per cent.	0	7	2	·039
Total cost to Sugar Board ..	100 per cent.	£39	15	0	4·259

We have verified the charges fixed by contracts by reference to the Contract documents. We have examined the basis of other charges and allowances and have compared them with the accounts and letters submitted by the Colonial Sugar Refining Co. Ltd., and have also called for such information and explanations as we think necessary to confirm the statements.

After considering the whole of the information supplied to us, we are of opinion that the estimate is slightly in excess of the probable eventual cost; but such excess is too small to *have any influence on the retail price of sugar. After making due allowance for any such* over-estimates, we consider that the minimum net price per ton of sugar up to the point when the sugar is available for sale will approximate £39 10s. per ton, or 4·231d. per lb., during the currency of the existing agreement with the Queensland Government. The retail selling price will, of course, depend on the allowance made to the wholesale and retail trade for distribution, and on the profit (if any) required by the Sugar Control.

In conclusion, we desire to point out that this estimate of £39 10s. per ton of refined sugar applies only to the 1922 production, and that it is not affected by the results of Sugar Control for any period prior to 30th June, 1922, in respect of which we are not yet in a position to express any opinion.

Yours faithfully,

(Signed) S. J. WARNOCK, F.C.P.A.

(Signed) EDWIN V. NIXON, F.C.P.A.

The Committee desires to point out that at this early stage of the investigation, beyond satisfying itself of the accuracy of the figures presented by the Sugar Board, it has arrived at no decision regarding the more important question as to whether the basis of the Sugar Board's position is sound and satisfactory. In other words, the Committee is not yet in a position to determine whether all the factors which should be included in the Statements of the Sugar Board have been taken into account, or on the other hand, whether factors have been taken into account which should not have been included. The Committee is proceeding with its investigation as rapidly as possible, and will present a further report on this phase of its inquiry at the earliest opportunity.

J. M. FOWLER,
Chairman.

Melbourne.
7th September, 1922.

J. M. Fowler

DISSENT.

As the Joint Committee of Public Accounts has not yet sufficient data to enable it to reach any finding or to place any recommendations before Parliament, the undersigned Members of the Committee consider that the presentation of this Interim Report is premature.

J. E. FENTON.
W. M. FLEMING.
N. J. O. MAKIN.
J. E. WEST.

Melbourne,
7th September, 1922.

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