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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

THIRD REPORT

OF THE

PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING.

CANBERRA, 22ND FEBRUARY, 1944.

By Authority:

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THIRD REPORT OF THE PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING.

In accordance with section 85 of the *Broadcasting Act* 1942, we present to Parliament this report on matters which have been referred to us by the Minister.

Abbreviations—

A.B.C.—means Australian Broadcasting Commission.

B.B.C.—means British Broadcasting Corporation. The Gibson Committee—means the Joint Parliamentary Committee on Broadcasting under the chairmanship of Senator the Honorable W. G. Gibson, whose report was presented to Parliament in March, 1942.

SUMMARY OF CONCLUSIONS.

The following is a summary of our conclusions:

Funds for the National Broadcasting System.—We recommend that the remaining shifting of the Commission's share of the licence-fee, which was taken from it in 1940, should be restored, making its allocation 12s. per licence (with corresponding allocations in respect of concession rate licences) as from the 1st July, 1944; and that the amount by which the remaining revenue proves insufficient to meet the annual charges on the technical services provided by the Post Office for the broadcasting of the national programmes should be financed from the Consolidated Revenue. We also suggest that the consequential reduction of the Post Office share of the licence-fee should not unfavorably influence the Government in allocating sufficient funds from year to year to permit of extension of the technical services at the rate of progress which the Government's responsible advisers deem justified, in order that, as soon as circumstances permit, the national programmes may be satisfactorily received by listeners in all the areas they are intended to serve under the fundamental plan of development designed by the Post Office. (Para. 55.)

The Powers of the A.B.C.—We consider that it would be improper to confer absolute power on a Government instrumentality to spend public moneys without some control, and that Parliament would be unwise to relinquish its power to control the A.B.C. through the Minister or the Government, in matters conceivably affecting high policy under contracts which involve more than £5,000 or exceed five years, as provided for in section 21 of the *Broadcasting Act*, which requires the A.B.C. to seek approval of such contracts. We do not favour the Commission's suggestion that section 21 should be deleted from the Act. We feel that the Commission's interests have been reasonably safeguarded since 1942 by the establishment of the Standing Committee, as the Commission may arrange for decisions with which it is dissatisfied to be referred to that Committee for consideration and report to Parliament. (Paras. 70 and 72.)

FUNDS FOR THE PROGRAMME AND TECHNICAL SERVICES OF THE NATIONAL BROADCASTING SYSTEM.

The question for decision is the extent to which, and the method by which, additional funds may be provided for the National Broadcasting Service.

2. When the national system was established in 1932, with a commission of five to take care of the

programmes, and with the Post Office in charge of the associated technical facilities, it was expected that the service would be self-supporting in relation to the revenue derived from licence-fees, as apportioned to the two authorities.

3. For ten years this expectation has been realized in the profit-and-loss accounts of the two authorities as a whole, but now there is not sufficient licence-fee revenue to meet the combined annual charge, involved in their proposals, and unless the development of the national broadcasting system, as planned by the responsible authorities, is to be retarded, the necessary funds can only be provided by increasing the licence-fee or by a subsidy from other public moneys.

4. In the apportionment of the fees for programme and technical services, there have hitherto been credit balances in the broadcasting accounts of each organization (with the exception of 1941, when there was a small deficit in the Commission's accounts); but there has been a difference in method of treating the surpluses.

5. The programme authority's share has been paid into a special fund, and the unexpended balance of that share from year to year has remained at the disposal of the Commission, which up to 1942 had built up, at the instance of the Treasury, a reserve of about £200,000 (most of which is invested in Commonwealth loans) with the intention of using it, after the war, mainly towards the cost of erecting badly needed buildings involving £700,000 at pre-war costs. Regardless of building obligations, however, audience influenced the Commission to refrain from spending to the limit of its revenue as a precaution against unpredictable increases of expenditure without corresponding increases of revenue.

6. The Post Office share, on the other hand, has been paid to the credit of the Consolidated Revenue of the Commonwealth, and the expenditure on technical facilities for broadcasting has been met from the amounts authorized by Parliament under appropriate votes, in the same way as the activities of other Commonwealth departments are financed year by year.

7. At the inception of the national system in 1932 the ordinary licence-fee was 2s. per annum, of which the Commission received 12s., the Amalgamated Wireless Company 3s. for patent rights, and the balance (9s.) was credited to the Consolidated Revenue.

8. In 1934 the payment of patent royalties to the Amalgamated Wireless Company ceased and the licence-fee was reduced to 21s., of which the Commission continued to receive 12s., the balance (9s.) being credited to Consolidated Revenue.

9. In September, 1940, the licence-fee was further reduced to 20s., of which the Commission received 10s. and the other 10s. went to Consolidated Revenue.

10. In 1941 the Gibson Committee was appointed to investigate broadcasting services generally. In its report to Parliament in March, 1942, that Committee commented unfavorably on the action taken to reduce the Commission's revenue from 12s. to 10s. per licence in 1934 and recommended "that the fee should be restored to its former figure of 21s., or, if Parliament is unwilling to do this in war-time, it should restore the 1s. taken from the Commission and given to Consolidated Revenue or the Post Office". The Committee expressed the opinion that even in war-time there is much justification for a fee of 21s. in view of the services provided. However, on the

MEMBERS OF THE PARLIAMENTARY STANDING COMMITTEE ON BROADCASTING. (Seventeenth Parliament.)

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| Chairman | *Senator Stanley Kerin Amour. |
| Vice-Chairman | †The Honorable Josiah Francis, M.H.R. M.P. |
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| Senate. | |
| *Senator Richard Darcy. | |
| *Senator the Honorable Allan Nicoll MacDonald. | |

* Appointed 30th September, 1943.

House of Representatives.

†George James Bowden, M.C. M.H.R. M.P.

†William George Bryson, M.H.R. M.P.

†Cyril Chambers, M.H.R. M.P.

†The Honorable James Alan Guy, M.H.R. M.P.

†David Oliver Watkins, M.H.R. M.P.

† Appointed 14th October, 1943.

CONTENTS OF THIRD REPORT.

| | PAGE. |
|---|-------|
| Funds for the Programme and Technical Services of the National Broadcasting System | 3 |
| The Powers of the Australian Broadcasting Commission | 3 |
| Appendix 1.—Australian Broadcasting Commission—Income and Expenditure Accounts, 1932-33 to 1941-42. | |
| Appendix 2.—Postmaster-General's Department—Wireless Branch Profit and Loss Accounts, 1932-33 to 1941-42. | |
| Appendix 3.—Postmaster-General's Department—Net Capital Expenditure on Wireless Assets to 30th June, 1942. | |
| Appendix 4.—Postmaster-General's Department—Aggregate Net Surpluses—All Branches—1932-33 to 1941-42. | |
| Appendix 5.—Postmaster-General's Department—Wireless Branch—Estimated Profit and Loss Accounts, 1942-13 to 1945-46. | |

recommendation of the Government, Parliament decided not to increase the licence-fee, but to restore 1s. of the 2s. cut in the Commission's share. This decision was embodied in the Australian Broadcasting Act, which came into operation on the 1st July, 1942.

11. The Commission asks that at least the other 1s. per licence should now be restored to enable it to put the national service on a satisfactory basis, at an estimated cost of £162,000 per annum. This amount includes £50,000 for new features to meet the changing demands of war-time existence. These new features contemplate—

- (a) More light entertainment to meet the mood of the fighting forces and war workers.
- (b) Sessions especially directed to country listeners to stimulate their response to the special needs of the nation and to remove any feeling there may be of isolation from the main stream.
- (c) The preparation of authentic documentaries of Australia's impressive war effort, both in respect of the fighting forces and the civilian population.

12. Elaborating the need for the £50,000 proposals, the Commission points out that the great majority of our fighting men are now serving on their own soil, and alongside them are the United States of America fighting forces. Their demand is for light entertainment, for variety of quality and of a quality to compare with overseas standards in this field. The proposals outlined above are based upon thorough and continuous research as to the needs of soldiers and war workers, and have regard to the opinions of those responsible for national morale.

13. The vast developmental works by such bodies as the Allied Works Council and the story of our industrial expansion offer unique material for documentary and dramatic presentation. The Commission plans to broadcast this material in such a way as to make the people more aware of the distinctiveness of Australia's effort, and to develop their pride in and understanding of their own country. The Commission feels that tendencies to belittle or under-rate these achievements can be corrected by imaginative radio presentation of facts.

14. The conversion of secondary industries to war work and the expansion of those industries have been made possible only by training or retaining hundreds of thousands of inexperienced people. The methods by which this has been achieved and the effects upon the lives and habits of the people involved can be presented by national radio in a vivid and convincing manner to our own people and to our Allies. Such broadcasts would make the war workers feel that their part in the national effort was being understood and appreciated.

15. The Commission holds that broadcasting projects on this scale are of national importance, but cannot undertake them without a large increase in programme expenditure. To illustrate: A talk on, say, the work of a munition factory would cost from five to seven guineas, but to dramatize the material might cost from fifty to seventy guineas. Such form of presentation is, however, the only way in which a deep impression can be made upon the public. Its preparation and performance necessitate mobile units visiting the factories for authentic sounds; script writers to live among the workers and to know the factories; producers and actors to complete the presentation. Similarly, to present such huge national works as are being undertaken by the Allied Works Council would necessitate covering wide areas of the continent, at a cost many times greater than is involved in merely giving a straight talk.

16. For the country hour referred to, the Commission has in mind a session which would not only be listened to by the people immediately concerned, but would grip the interest of the city people also. World experience, particularly in Canada and America, has shown that it is not sufficient merely to give listeners the latest detailed market reports, but that it is desirable to feature agricultural pursuits and to supplement these broadcasts by such entertainment as a regular daily serial in which honest people discuss real problems. The writing and presentation of a serial alone would cost more than £5,000 a year. As the session must have an all-Australian interest, despite varying seasonal conditions, all States would have to be covered.

17. In the light entertainment field the Commission faces serious competition from commercial stations whose advertisers are spending huge sums on network feature programmes. Light entertainment is the most expensive of all broadcast programme matter.

18. The Commission has to face many problems, such as finding script writers, artists, feature producers, etc., but its main problem is one of finance, because under the Broadcasting Act it is required to so conduct its activities that they will be financially self-supporting. Confronted with a heavy reduction in revenue, due to the licence-fee cut which operated from the 1st September, 1940, and a heavy increase in commitments of a more or less inescapable nature, the Commission was forced to effect embarrassing economies at short notice—economies all the more difficult because of the importance of long-range planning if the best results of broadcasting are to be obtained. Its expenditure on artists' fees and concerts, for instance, was reduced by £52,000 in 1940-41. At the end of that year its accounts showed a surplus of £25,000, which was slightly more than 3 per cent. of its total revenue, and which the Commission, in the light of ordinary business acumen, considered to be a dangerously low margin.

19. In the following year (1941-42) it was found impossible to manage provision for any reserve, and the Commission's operations showed a deficit of £120, due mainly to the continuing reduction in its share of the licence-fee.

20. Appendix 1 shows the Commission's income and expenditure for each of the ten years ended 1941-42. Its total net surpluses for the period amounted to approximately £501,700, of which £289,700 was transferred to a reserve fund, represented by investments of £259,700 in Commonwealth loans and £30,000 on fixed deposit with the Commonwealth Bank. The balance of the net surpluses, £212,000, is represented by fixed and movable assets necessary for the conduct of the undertaking, and is not available for conversion into "liquid" form, as are the investments represented by the reserve fund of £289,700.

21. During 1942-43 the Commission's share of the fee was £143,000, representing an increase of £87,000 on the previous year's figure, due to the combined effect of the restoration of half the cut imposed in 1940, the issue of half-fee licences, and the normal increase in the number of licences. Out of its total income of £701,000 in 1942-43, it reserved £22,000, representing approximately 5 per cent. a wise precaution.

22. During 1943-44 it is expected that the Commission's receipts from licence-fees at the existing rate of apportionment will be £767,000, representing £111,000 above the 1942-43 figure. However, in comparison with the pre-cut year 1939-40, when the Commission's revenue from licence-fees was £700,000, the increase is reduced to £67,000 which, apart from the Commission's intention to budget for a reserve of £30,000, is not sufficient to meet current extra costs amounting to

£80,500 which have been incurred in comparison with 1939-40 and much of which are automatic beyond the Commission's control, except by wholesale dismissals of experienced staff. These extra costs are—

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| (a) Superannuation (introduced by Parliament in 1942) | 15,000 |
| (b) Annual automatic increments excluding senior officers (who have not had any increase since 1940) | 35,000 |
| (c) Increases due to cost-of-living variations | 22,500 |
| (d) Performing-right fees | 5,000 |

£80,500

23. In addition to this group of increased costs, the Commission has been obliged to spend considerable sums in engaging extra staff on account of conditions which did not obtain in the pre-cut year. For instance, the necessity for the dispersal and manning of its studios because of the enemy threat to Australia, and the opening of new regional stations, have required 26 extra announcers and sixteen other additional officers, as well as 40 more cleaners and house staff besides other expenditure for air raid precautions, war correspondents, a field unit, &c. The cost of the news service has also substantially increased, but the net cost of the *A.B.C. Weekly* has been reduced from £37,000 in 1939-40 to £21,000 in 1942-43 and will probably not exceed £12,000 in 1943-44.

24. Citing cases to demonstrate how increased costs were experienced without any increase of staff, the Commission has said—

"In 1940 we had 154 members of symphony orchestras throughout Australia. In 1943 there was one less. The cost of those members in 1940 was £68,368 and in 1942-43 the cost was £73,700. The Commission has no way of recovering that by increasing prices as a private trader might. The award rate, plus cost of living, has gone up 15% from 1940 to 1943. The same thing has happened with the military band and for the same reason. There were 51 members in 1940 but the cost has gone up by £1,500. These two units have cost us £5,500 more than in 1940."

25. The main items of programme development detailed to us would bring the total increased expenditure to approximately £162,000 per annum above the pre-cut year. This amount does not include the costs of stations in New Guinea for the benefit of the fighting forces there. If three are established the estimated capital cost will be £25,000 and the annual charges will be £9,000 for programmes and £17,000 for technical services. These costs, we understand, are to be met by the Department of the Army.

26. If the Commission's share of the licence-fees were fully restored to the pre-cut rate of 12s. per licence, its estimated receipts would be—

For 1944-45—£843,000, or £143,000 above the pre-cut figure.

For 1945-46—£848,000, or £148,000 above the pre-cut figure.

These increases would be reduced to £822,000 and £87,000 respectively, if allowance were made for the £80,500 inescapable commitments since the pre-cut year, as listed in paragraph 22.

27. In the computation of these estimates, consideration has been given to the retardation of the normal increase in licences due to (a) the prohibition of manufacture of radio receivers for public use and (b) the absence of many potential licencees in the fighting forces or on other essential war work.

28. On the technical side, the Post Office accounts showed surpluses each year from the inception of the national system in 1932 up to 1942. These surpluses, detailed in Appendix 2, aggregate £790,000, and the Commission has suggested that this sum should be taken into account in reaching a decision on its application for additional funds.

29. Post Office officials have explained that these are book surpluses under the departmental accounting system, and suggest that in visualizing the cash position cognisance should be taken of the funds provided by the Treasury for capital expenditure on broadcasting and for the network of telephone channels associated with the relaying of programmes.

30. The Commission, however, considers that the debits in the Post Office accounts for depreciation should not be overlooked in relation to financing the cost of assets, and deprecates the association of capital expenditure and operational costs.

31. In further reference to the surpluses in its accounts, the Post Office has supplied particulars of its capital expenditure on wireless assets before and since the establishment of the A.B.C. in 1932. These are given in Appendix 3 and show that the total surplus on the wireless branch since its inception was £835,000, of which, after allowing for depreciation, £470,000 had been absorbed by capital expenditure on broadcasting stations and other wireless assets up to 30th June, 1942, excluding capital expenditure on telephone channels used for broadcasting.

32. Differences between the Treasury and the Post Office accounting methods have been explained to us by the Department as follows:—

"The Treasury accounts are based on actual cash receipts and expenditure of the Commonwealth during the year to which the accounts relate. They do not record the value of services rendered by the Postal Department to other departments unless the Post Office is actually paid in cash for those services. They also do not take into account the year to which receipts and payments actually belong nor do they make a strict distinction between capital and working expenditure."

"Parliament requires the Postmaster-General's Department to prepare annual profit and loss accounts and balance-sheets, and these are prepared on commercial lines. They regard separately capital and working expenditure in the year in which the expenditure is incurred and similarly record Post Office revenue in the year the service is given or revenue earned, irrespective of when payment is made for the service or, in the case of other departments, whether payment is made at all for the service given."

"The commercial system of accounts is a recording one only. Revenue received in cash is not at the disposal of the department but is paid over to the Treasury. Similarly, any out-payments by the department are made from funds provided by the Treasury."

"In the commercial system of accounts, working expenses are debited with provision for depreciation of certain assets, but the reserve so credited is a book reserve only, no actual cash being set aside to meet depreciation. The accounts are also debited with superannuation liability which is incurred year by year but has not to be met until the retirement of the officer. These items are mentioned as examples of the differences between the Treasury and departmental accounting systems."

33. Appendix 4 shows the aggregate net surpluses in respect of all branches of the Post Office from

1932-33 to 1941-42, with explanatory notes supplied by the department, indicating that under the Treasury accounting system, there was a deficit of £950,000 in respect of the Post Office as a whole during the two years ended 1942-43, excluding revenue raised towards the cost of the war.

34. As the result of discussions we have had with representatives of the Commission, the Post Office and the Treasury jointly, the essential fact emerges that no portion of the surpluses in the profit and loss account of the Post Office has ever been earmarked for broadcasting. The department's share of the licence-fee lost its identity when it was credited to the Consolidated Revenue; that is to say, no unexpended balance was ever credited to any Trust Fund or used to create a reserve for its future technical requirements in the manner in which portion of the Commission's share was transferred by the Commission to a reserve fund represented by readily realizable investments for the Commission's future needs.

35. The situation now to be faced is that instead of surpluses it is estimated by the Post Office under its accounting system that there will be progressively increasing deficits in the technical service under the existing allocation of the licence-fee, which commenced (as shown in Appendix 5) with a deficit of £25,000 in 1942-43 and will be followed by deficits of £30,000 in 1943-44, £64,000 in 1944-45, and £117,000 in 1945-46.

36. If the second 1s. per licence were restored to the Commission from, say, 1st July, 1944, it is estimated by the Post Office that the deficits on technical services would be £135,000 in 1944-45 and £187,000 in 1945-46, under its accounting system.

37. The Commission has suggested that certain charges debited to the Post Office account in connexion with the use of telephone lines for broadcasting appear to be excessive, the point being that, if they are excessive, the Commission's case for an increased share of the licence-fee might be correspondingly prejudiced, because the estimated deficits on technical services would be loaded to the extent of any such excessive deficits. The Post Office, however, has explained that the charges debited to the national system are on the same basis as those charged to commercial stations; that any alteration would mean discrimination in favour of the A.B.C.; that it is not in a position to set aside for exclusive use the number of channels which the A.B.C. would like for relay purposes, and that it could not apply, to lines which are only used part-time, the lower charge prescribed for lines which are used permanently for broadcasting. In the Gibson report it was shown that the charges in Australia were much lower than in the United States of America, e.g., for a relay involving 1,000 miles the Australian rates for one hour were 512 7s. 6d. for music and 511 7s. for speech, as compared with 692 10s. and 511 5s. in the United States.

38. The Post Office estimates may be considerably altered if unforeseen developments arise in connexion with the war. The deficits are based on an intention to establish twelve additional stations during the next two years and several more after 1945-46. It is likely, therefore, that after 1945-46 even greater deficits will be experienced on the technical side under its accounting system, irrespective of whether the Post Office proportion of the licence-fee is retained at the present rate of 9s., or reduced to 8s. in order to fully restore the Commission's share to 12s. Among other factors contributing to the estimated losses on technical services in comparison with more favorable figures supplied to the Gibson Committee in 1941 are—

(a) Calculation of the Post Office share of the licence-fee at 9s. instead of 10s. and on the basis of 1,392,000 licences in 1940 instead of the 1,500,000 previously estimated for that year;

- (b) Cost-of-living increases have added £36 to the salary of each adult male;
- (c) Cost of essential materials and equipment has increased;
- (d) Costs of operation have been increased by extensions in the hours of service of various stations;
- (e) The Commission has requisitioned the use of broadcasting channels to an extent not covered in 1941 figures.

39. The Commission suggests that the technical services be subsidized to an extent that more than an additional 1s. a licence would be available to the Commission. In support of this suggestion the Commission has pointed out that even with the restoration of that 1s. rate it will be faced with estimated losses of £44,000 during 1944-45 and £41,000 during 1945-46, if all of its proposals are put into effect.

40. Referring to the handicap to which its activities would be subjected if its share of the revenue were restricted to its former allocation of 12s., the Commission says—

"This really raises the question of whether or not the principle should be introduced that is observed in connexion with big public undertakings such as the Railways and the Post Office. In a widespread country like Australia many people are battling in the backblocks, away from the amenities of the city. It is impossible for those people to pay for the services that are necessary for them even to live there, in the way of railways, and telephone and postal services.

The State recognizes that in Australia, with its big hinterland, is to be developed, there must be something other than that which is paid for by the people concerned. In connexion with the railways the principle is well recognized. . . .

"Australia is proud of its increasing vision in respect of the education and culture of its people, which lead to their thinking, not in terms of bread and butter alone, but also of things that will lift them above the downtrodden peoples of Europe. They will be lifted not merely by means of education, but also by being given every opportunity for cultural attainment in the best sense of the term—giving to them an appreciation of fine things and the possibility of forming their own judgments in the important issues that must increasingly face our democracies in the fight against totalitarianism anywhere in the world. . . .

"If we are limited to an arbitrary system of raising revenue by means of so much a licence, we can go a certain distance. If you ask what the position would be if we were to have another shilling we could say that we could go so far; but no further. It is our duty to say that we could go farther and that we could accelerate the pace of this development. . . . Increase of revenue from additional licences is going to be at a diminishing rate unless there is a big increase of population. The rate of increase is very slight now; it is not sufficient to meet the automatic increase of the costs of the undertaking at a given standard. If the Commonwealth Government takes the broad view that the development of education and culture should proceed at a faster pace than is possible by means of this mechanical provision for revenue from increased licence-fees, then it will say, 'We shall face this problem and provide the extra amount, so long as we are satisfied that these services can be brought to the country'. It may not desire to increase the

licence-fee. . . . The Commonwealth should face the fact that in respect of some portion of our extension of services there should be a community cost; that is, something from the general fund. . . . The general community would not always be aware of what it was missing because many times things like education and culture are things which men did not fight for; they are not aware of the need for them. We are close to the problem and have seen what can be done with what we have had. It is our duty to tell you that what we have had. It is our duty to tell you that what we have had. We want to get away from the suggestion of the Treasury that we have a lot of income on which it would like to get its fingers, and the suggestion of the casual outsider who says that we are extravagant and have too much money. It is time to regard broadcasting as being in the hands of people who have been engaged in it long enough to know what can be done. We should not be put on the defensive for having spent our revenue, as we were once. We should not be chided upon having a big reserve, but should be encouraged to point out how the education and the general culture of the people, particularly in the back country, could be furthered, if we were given an opportunity to 'feel our wings'.

"A public utility can be of great benefit to the community, yet not show a cash profit. After the war, the Government will be interested in attracting population back to the country, and amenities such as are provided by broadcasting will be an important factor. Commercial broadcasters who are in the business for profit will not erect stations where there is no chance of their being a payable proposition; consequently the only chance for the country people will be in having regional stations provided by the Government. Furthermore, at present country listeners have only one national programme, whereas the city listeners have two, there being an alternative station in each capital city. In the country, the one programme must carry a number of essential services such as news, education broadcasts and so on. The people who are not particularly interested in that particular service have no alternative. The Government should later consider the advisability of providing an additional transmitter at each regional centre in order to give to country listeners the same choice of programmes as is available to city-listeners."

41. We are in full agreement with the Commission's aim to cultivate a wider appreciation of culture and all that it implies. It is true that its plans contemplate some expansion in the field of light entertainment as a relaxation from the strain of war, but there is no reason to apprehend that it will allow of any of its programmes to descend, in the words of the Director of an Education Department, to "a low level of alleged popular taste". Current evidence to the contrary is afforded by its praiseworthy attitude in banning a certain song which subtly endorses drunkenness as an ideal expression of thanksgiving for our coming victory in the war.

42. Having captured its audiences by unexceptionable features broadly classified as "what the people want", the Commission no doubt intends to avail itself of the opportunity to foster a taste for the finer things so admirably enlarged upon by the chairman in his discussions with us on ideals in broadcasting.

43. "Broadcasting is an engine of the mind and carries with it cultural, moral and political implications of the most formidable character", says W. A. Robson, L.L.M., Ph.D., B.Sc., in his book *Public Enterprise*. In contrast with an unfavorable reference to the B.B.C. in evidence tendered to us on behalf of

certain commercial interests in Australia, it is noteworthy that Robson's opinion is expressed in these words: "If we wish to appraise it at its proper value we have only to compare the general quality of broadcasting in this country (England) with the general quality of the press and the films. One gets an impression of continuous effort towards an enlightened end in the case of the radio service which is entirely lacking in the case of the popular press and rarely encountered in the films."

44. Years ago that renowned idealist, Sir John (now Lord) Reith, when Director-General of the B.B.C., adopted as the Corporation's standard "the greatest good for the greatest number" and enjoined his staff "always to give listeners something a little better than they are expecting".

45. In parentheses it is on record that when a famous editor was asked by the proprietors of his newspaper what he proposed to do in order to increase the paper's circulation, his reply was: "I'm going to give the public what it doesn't want". Then he added: "And after twenty years of this I have proved that what it didn't want is what it did want".

46. It is gratifying to be assured that in our own national service the powerful influence of broadcasting is being guided by commissioners with such commendable aspirations as those voiced by the chairman on behalf of his colleagues. With the enthusiastic co-operation of staff imbued with the same high ideals, the Commission has invaluable opportunities not only to develop culture but also to assist in winning the fight against totalitarianism, to which the chairman has referred.

47. Referring to the financial question, it should not be overlooked that although there are certain restrictions on normal advertising in war-time, an arbitrary limit has not been fixed in regard to the revenue which may be raised for the activities of the commercial stations. We feel that this aspect should receive due consideration in determining the merits of the Commission's application for additional resources to enable it properly to pursue objectives appropriate to its functions as a national undertaking, with its costly obligations to foster orchestral, choral and hand music of high quality—obligations which are not imposed in the commercial service and which involve expenditure of the order of £124,000 per annum for artists' fees alone. We think it should be borne in mind, too, that if commercial stations were required to duplicate the service provided by national stations in some sparsely populated areas, they would be financially embarrassed, there being cases where the annual costs of the plant in a national station (i.e., excluding programme costs) are over five times the total revenue drawn from the area serviced. The income available for the programme and technical services of the national system was approximately £1,383,000 in 1941-42, when the commercial service income was £1,320,000.

48. An innovation which the Commission contemplates introducing is the establishment of a listener research organization along the same lines (though on a more modest scale) as have been found necessary in the service of the B.B.C. and the American radio companies. Such an organization may ultimately cost about £15,000 a year, although if it could undertake confidential researches for Government departments, on a contributory basis, the cost would be reduced. For example, in Britain the Corporation's staff of 30 engaged on this work has been used to secure data required by the Ministry of Information as to "man-in-the-street" reactions to problems associated with post-war reconstruction.

49. After examination of the methods adopted by other interests in Australia in the compilation of surveys in connexion with broadcast advertising, the

Commission has satisfied itself that the expenditure involved in its research project is justified for the purpose it has in view, particularly in catering for the special needs of country listeners, for whom the provision of appropriate programmes will become increasingly important in connexion with proposals for the decentralization of industry and the development of regional community centres after the war. The Commission does not contemplate embarking upon a large expenditure on this innovation at present. From a small beginning, expansion of the organization will be a gradual process extending over two or three years.

50. The various other activities on which the Commission has been engaged in discharging its responsibility for developing Australian cultural life having been traversed in detail in the Gibson Committee's report, it is not necessary to reiterate them. Special reference, however, is invited to that Committee's review of the Commission's excellent service to the nation, despite financial difficulties, in its development of educational broadcasts, particularly to schools—an activity in which there have been immense strides in other countries such as Great Britain and the United States of America. Because of the national character and importance of this new educational system, the Gibson Committee expressed the opinion that there is a case for assistance by the Federal Government. An opportunity to provide that assistance is now afforded by the Commission's application for additional funds. In this connexion it is noteworthy that the Australian Council for Educational Research, in a publication issued in July, 1943, under the title, *The Future of Education—a Plan for Australia*, has also advocated, as one of several proposals for Commonwealth activity in education, that "the Federal Government should develop the use of radio for educational purposes".

51. The Treasury has revised its attitude to the Commission's reserve fund. Some six years ago, when the A.B.C. sought an advance of capital towards the cost of its buildings programme, the Treasurer declined the request and expressed the opinion that the Commission should economize in its programme expenditure in order to provide a suitable reserve from its own income. That was in June, 1938. Since then the Commission has built up a reserve fund of approximately £290,000. The Treasury now agrees that this might be used for programme development to the extent necessary to meet estimated retardation of increase in revenue from licence-fees on account of circumstances associated with the war; and that capital expenditure on behalf of the A.B.C. in the Post Office might be provided from loan money under a joint schedule of projects mutually agreed upon, it being understood that the dual requirements would need to be considered by the Loan Council and the Government in conjunction with capital expenditure programmes of all other authorities.

52. The idea of budgeting for capital expenditure in consultation with the Post Office is acceptable to the Commission, but, on grounds of business prudence, it does not favour the use of its reserve fund for operational costs unless such a course is absolutely necessary.

53. For psychological reasons we dissent from the suggestion that the A.B.C. should be placed in the position of having to realize Commonwealth loan securities at the present time. We consider it would be preferable to finance its operational needs from the "new money" which listeners will contribute in licence-fees from their future earnings.

54. The Treasury representative has also suggested that the Commission should adopt the policy imposed on Government departments of reducing expenditure to the absolute minimum. We feel that such a procedure

would unfairly handicap the development of the national broadcasting system which, unlike Government departments, is in competition with rival undertakings—the commercial stations. The latter are not subject to any Government instruction to reduce their expenditure to the absolute minimum. On the contrary, there is disquieting evidence that the prices they are prepared to pay in the competition for artists are forcing increased expenditure on the Commission to an alarming extent to keep its service at the standard which listeners are entitled to expect for the licence-fees they pay. We do not share the Treasury representative's view that these fees should be regarded as a source of contribution to the Consolidated Revenue; we consider that they should be devoted to broadcasting.

55. Our recommendation is that the Commission's share of the licence-fee should be restored to its pre-war rate of 12s. (with corresponding allocations in respect of concession rate licences) as from the 1st July, 1944, and that the amount by which the remaining revenue proves insufficient to meet the annual charges on the technical services should be financed at community cost, i.e., from the Consolidated Revenue. We also suggest that the consequential reduction of the Post Office's share of the licence-fees should not unfavorably influence the Government in allocating sufficient funds from year to year to permit of extension of the technical services at the rate of progress which the Government's responsible advisers deem justified; in order that, as soon as circumstances permit, the national programmes may be satisfactorily received by listeners in all the areas they are intended to serve under the fundamental plan of development designed by the Post Office. Post-war use of what are called "the high frequency bands", including frequency modulation, television and facsimile, may necessitate a new approach to the question, but the possibilities are too indefinite to enable the Post Office to estimate the financial effect of radical innovations. In the meantime the department proposes to proceed with the establishment of twelve additional stations during the next two years (to 30th June, 1946), under the existing plan of expansion of the national service, unless unforeseen difficulties are experienced in connexion with the supply of the necessary equipment. The figures shown in Appendix 5 for the next two years are based on the erection of those twelve stations, one of which (Newcastle) has since been completed.

56. In making this recommendation we have been influenced, to some extent, by the enormous sums which the community has contributed to the Consolidated Revenue over many years through the medium of the profits made on the operations of the Post Office as a whole, as disclosed in the departmental accounting system; even though, as explained in Appendix 6, the figures include the value of services rendered to other departments which are only partly, or not at all, paid for in cash. Excluding revenue raised by increased charges to assist the Treasury to meet war expenditure, these profits, after debiting interest and depreciation, during 1941-42 amounted to £4,400,000 and during the last ten years to £31,330,000.

THE POWERS OF THE AUSTRALIAN BROADCASTING COMMISSION.

57. The Australian Broadcasting Act, which came into operation on 1st July, 1943, confers certain discretionary powers on the national programme authority—the A.B.C.—but these powers are subject to reservations designed to maintain ultimate parliamentary control.

58. The question for determination is whether Parliament should adopt a suggestion from the Commission that it should be relieved of the obligation to seek ministerial approval to enter into agreements involving expenditure in excess of £5,000 or extending over a period of more than five years.

59. In the original bill for the establishment of the Commission, as submitted to Parliament in 1932 by the Government of the day, there was a general provision which contemplated, in effect, that the whole of the Commission's activities would be subject to ministerial direction, but in deference to opinions expressed in Parliament during the debates, the Government decided to withdraw that general provision from the bill. At the same time, however, Parliament agreed to a number of reservations of authority. One of these became section 48 of the 1932 act in the following terms:—

48. Notwithstanding anything contained in this Act, the Commission shall not be empowered to enter into any agreement involving expenditure in excess of Five thousand pounds, or extending over a period of more than five years, unless the approval of the Minister thereto has first been obtained.

60. Ten years later a joint parliamentary committee (known as the Gibson Committee) recommended no change in section 48, and Parliament confirmed its earlier decision by repeating that section, in the same terms, in section 21 of the 1942 Act.

61. In support of its suggestion that section 21 should be deleted from the act, the Commission claims that the power conferred on the Minister in that section aims at ensuring that an agreement shall be entered into in a proper manner (e.g., after calling tenders, where this is possible or appropriate) and that the contemplated expenditure shall be reasonable, but that it is not intended to invest the Minister with power to veto a proposed agreement in whole or in part on grounds affecting the Commission's policy.

62. The Commission contends that the limiting effect of section 21 is inconsistent with the Commission's powers as to the provision of programmes generally, the issue of publications, the collection of news and information, the establishment of orchestras, &c.; that the obligation to apply for ministerial approval of agreements involving over £5,000 or more than five years impairs the responsibility which, it is said, the community in general believes the Commission to possess; and that "only with freedom and the use of its own judgment in respect of its contracts will the Commission be able to carry out an efficient job, in addition to which the people and the Parliament will know exactly where responsibility lies".

63. Amplifying its point of view, the Commission points out that broadcasting is a powerful weapon for influencing public opinion and that "in the hands of a political party or an unscrupulous Minister it could be used so as to bring great advantage to the party which controlled it and it might be used against the interests of the community".

64. The A.B.C. also objects to section 21 on the ground that its provisions are the same as when the Commission was "a baby" in 1932, when the number of licences was comparatively small; that the Commission has since "grown up" and that it is empowered to spend over £700,000 per annum without reference to the Minister except where a particular item involves more than £5,000 or more than five years—that it can spend, for instance, £100,000 on the bringing out of artists provided no one contract exceeds

the £5,000 or five-year limits. The Commission believes that these limits were originally imposed "so that we would not run away with a £100,000 building programme in the first few years".

65. Sir Harry Brown, whose advice we sought, and who, as Director-General of Posts and Telegraphs for many years before and after the constitution of the A.B.C. in 1932, has been uniquely associated with broadcasting, reminded us that in the establishment of Commissions of various kinds, powers and responsibilities and a certain degree of freedom are conferred without relieving these bodies of the obligation to obtain the approval of some other authority in specified circumstances—very often the approval of Parliament itself. To that end there is frequently some overriding provision which limits the powers elsewhere delegated. Thus, as regards the Broadcasting Act, the powers in sections 18, 19, 25 and 26, to which the Commission specially referred, are subject to the overriding provision in section 21 which is significantly prefaced with the word, "notwithstanding anything contained in this Act". That expression is a convenient method of drafting legislation, because it avoids the necessity for repeating the same limiting provision in each section affected. There is therefore no conflict between Section 21 and the four sections mentioned; in other words, the Commission's power to act "as it thinks fit" under those sections is limited by section 21 to proposals not exceeding £5,000 or five years, so far as contracts are concerned.

66. If opinion to the contrary were upheld, then, as Sir Harry pointed out, it could be argued that there is conflict in respect of the obligations and duties which rest upon the Postmaster-General himself. He is called upon to establish and render all sorts of services, yet he finally has to go to Parliament in order to get the money with which to provide them; that is to say, he is restricted and controlled by a higher authority, and, we add, Parliament could withhold its sanction of his proposals, not merely because of the amount of expenditure proposed but also because it might disapprove of one or more aspects of the policy underlying them.

67. Sir Harry, who is of the firm opinion that there should be some provision to limit the expenditure of the Commission, also recalled that some years ago the Government experienced a good deal of embarrassment because of the setting up of certain similar organizations, with people in authority who had freedom to enter into commitments. Because of certain developments, the Government found it necessary to relieve itself of these responsibilities, and it might not have found itself in that embarrassing position had it had, from the outset, restrictive provisions of the nature of those in the Broadcasting Act. In this connexion our attention has been drawn to the possibility that the Government of the day might have in mind an important change of policy of which the Commission would not necessarily be aware, and that in such a situation the limitation of the Commission's power in section 21 brings directly into the hands of the Government any proposal entailing a substantial commitment into which any pending change of policy by the Government would make it undesirable to enter.

68. It would be incorrect to infer that the deletion of section 21 would make the Commission an entirely free agent. There are several other important limitations on its independence. For instance, although section 17 empowers it to appoint a general manager and such other staff "as it thinks necessary", the act requires the Commission to obtain approval of the rate of salary which it proposes to pay to that official and to the next six most highly paid executive officers, and also to obtain approval of the regulations under which

its staff may be employed. Another section (20) requires the Commission to seek the Minister's approval of proposals for the purchase or sale of property exceeding £5,000 and for leases exceeding five years. In section 33 it is stipulated that no payment of compensation exceeding £100 to members of the Commission, its officers or servants or other bodies or persons shall be made without the approval of the Minister. Section 88 makes it compulsory for the Commission to devote not less than 2½ per cent. of broadcast music time to works of Australian composers, and in section 92 the Minister is given authority which can limit the Commission's powers to retain particular broadcasters or other personnel on its service.

69. All of these limits on the Commission's independence are clearly intended to give Parliament, through the Minister or the Government, some control over the Commission's activities. That control, if it is to be effective, must cover, in our opinion, not merely the expenditure and procedure aspects of propositions submitted by the Commission under the ministerially reserved powers, but also the very policy underlying the propositions themselves; otherwise the value of the approving authority's jurisdiction would be little more than that of the proverbial "rubber stamp".

70. The A.B.C. has described to us in detail certain experiences in which it considers Ministers have adopted an arbitrary attitude to its recommendations. But even if it were established that any Minister had misused his power, it would not follow that there is a case for entire withdrawal of that power. Our view is that it would be improper to confer absolute power on government instrumentalities to spend public funds without some control. We feel that the Commission's interests have been reasonably safeguarded since 1942 by the establishment of the Standing Committee, as the Commission may arrange for decisions with which it is dissatisfied to be referred to that committee for consideration and report to Parliament, in accordance with the provisions of paragraph (2) of section 85 of the Broadcasting Act which prescribes—

(1) The Committee shall, subject to the provisions of this Act, consider and report to the Parliament upon every matter affecting broadcasting in Australia or the Territories of the Commonwealth which either House of the Parliament, by resolution, refers to the Committee and upon every other such matter referred to the Committee by the Minister.

(2) The Minister shall refer to the Committee any such matter which the Commission or the body known, at the commencement of this Act, as the Australian Federation of Commercial Broadcasting Stations requests him to refer to the Committee.

The very existence of section 85 is in itself a substantial guarantee against the likelihood of any Minister unreasonably withholding his approval of proposals submitted to him by the Commission.

71. It is not without significance that the five-year limitation in section 21 synchronizes with the maximum term certain of office prescribed for any one commissioner in section 9. In the absence of the powers reserved to the Minister in section 21, it would be possible for the Commission to enter into an agreement for a lengthy period that would bind its successors to obligations which might not meet with their approval and which they might be powerless to alter without the payment of heavy compensation.

72. In our opinion Parliament would be unwise to relinquish its power to control the Commission, through the Minister or the Government, in matters conceivably affecting high policy under contracts which involve more than £5,000 or exceed five years, as provided for in section 21, the retention of which we recommend.

73. Incidentally, although there is no such limitation under the charter of the B.B.C., the corresponding controls in Canada are much more stringent than in Australia, namely, \$10,000 (approximately £2,250 sterling) and three years, notwithstanding that the income of the Canadian Broadcasting Corporation (£1,025,000 for 1942) is considerably higher than that of the A.B.C. (£791,000 for 1942-43).

S. K. AMOUR, Chairman.
JOS. FRANCIS, Vice-Chairman.
R. DARCEY.
A. N. MACDONALD.
G. J. BOWDEN.
W. J. BRYSON.
C. CHAMBERS.
J. ALLAN GUY.
D. O. WATKINS.

22nd February, 1944.

*S. K. Amour, Chairman
Jos. Francis, Vice-Chairman
Senator Richard Darcey
Allan H. Macdonald*

*Red Bowden
W. Bryson*

*C. Chambers
J. Guy
D. O. Watkins*

APPENDIX 1.
AUSTRALIAN BROADCASTING COMMISSION—INCOME AND EXPENDITURE ACCOUNTS, 1932-33 TO 1941-42.

| | 1932-33. | 1933-34. | 1934-35. | 1935-36. | 1936-37. | 1937-38. | 1938-39. | 1939-40. | 1940-41. | 1941-42. |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| EXPENDITURE. | | | | | | | | | | |
| Artists' fees and programme expenses | 126,602 | 170,406 | 171,297 | 232,465 | 395,711 | 429,330 | 473,696 | 510,491 | 479,601 | 484,171 |
| Copyright fees | 37,400 | 26,387 | 40,201 | 44,137 | 46,050* | 33,229* | 33,087 | 34,761 | 37,437 | 39,272 |
| Broadcasting rights | 2,439 | 8,060 | 9,370 | 0,050 | 13,791 | 16,063 | 15,001 | 16,835 | 17,290 | 15,771 |
| Rental of telephone lines for broadcasting outside pick-up costs | 0,601 | 7,393 | 11,982 | 0,002 | 12,101 | 13,977 | 14,925 | 16,294 | 16,748 | 13,126 |
| Commissioners' fees | 1,500 | 1,800 | 1,778 | 1,800 | 1,500 | 1,800 | 1,800 | 1,725 | 1,725 | 1,823 |
| Staff salaries | 25,710 | 33,303 | 34,031 | 38,075 | 33,031 | 37,744 | 42,076 | 56,269 | 65,718 | 70,010 |
| Rent of offices and furniture | 6,770 | 8,001 | 8,351 | 4,482 | 2,339 | 2,772 | 3,142 | 4,823 | 5,603 | 5,716 |
| Publicity | 4,344 | 8,183 | 6,387 | 4,000 | 4,350 | 4,057 | 4,075 | 7,233 | 7,135 | 9,037 |
| Depreciation | 1,375 | 3,443 | 3,652 | 6,325 | 0,003 | 0,732 | 0,345 | 6,033 | 6,058 | 6,437 |
| Preliminary expenses written off | 1,387 | 1,687 | 1,687 | 27,121 | 26,062 | 17,094 | 2,044 | 3,429 | 3,429 | 3,429 |
| Other expenses | 16,803 | 23,326 | 22,320 | 24,540 | 27,121 | 26,062 | 17,094 | 60,425 | 63,765 | 54,020 |
| Balance—Surplus | 231,290 | 292,738 | 310,486 | 370,332 | 542,782* | 573,238* | 613,641 | 720,611 | 703,008 | 700,760 |
| Total | 260,010 | 326,732 | 405,535 | 470,997 | 658,238 | 642,082 | 720,134 | 773,866 | 729,968 | 700,760 |
| A.B.C. Weekly expenditure included in "Other expenses" | .. | .. | .. | .. | .. | .. | .. | 52,208 | 54,863 | 40,001 |
| REVENUE. | | | | | | | | | | |
| Revenue from licence fees | 260,019 | 314,127 | 405,049 | 461,375 | 529,136 | 590,073 | 638,737 | 700,071 | 679,403 | 656,460 |
| Interest on investments | .. | .. | 315 | 1,657 | 2,070 | 3,047 | 0,183 | 8,265 | 9,757 | 9,677 |
| Other revenue | .. | 11,605 | .. | 171 | 7,965 | 20,432 | 38,462 | 55,114 | 65,630 | 40,116 |
| Balance—Loss | .. | .. | .. | .. | .. | .. | .. | .. | .. | 121 |
| Total | 260,019 | 325,732 | 405,535 | 470,997 | 658,238 | 642,082 | 720,134 | 773,866 | 729,968 | 700,760 |
| A.B.C. Weekly revenue included in "Other revenue" | .. | .. | .. | .. | .. | .. | .. | 14,871 | 22,056 | 17,041 |

* The above figures are an adjustment of the figures shown in the Annual Reports for the years ended 30th June, 1937, and 30th June, 1938. The published accounts for the year ended 30th June, 1938, included an item of £1,000 representing savings in fees to A.P.R.A. for the period of 10th May, 1937, to 15th May, 1938. In this statement this sum has been apportioned over the periods affected.

APPENDIX 2.
POSTMASTER-GENERAL'S DEPARTMENT—WIRELESS BRANCH.
PROFIT AND LOSS ACCOUNTS, 1932-33 TO 1941-42.

| | 1932-33. | 1933-34. | 1934-35. | 1935-36. | 1936-37. | 1937-38. | 1938-39. | 1939-40. | 1940-41. | 1941-42. |
|--|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| EXPENDITURE. | | | | | | | | | | |
| Upkeep and operation of broadcasting stations | 43,074 | 37,107 | 45,180 | 56,183 | 75,757 | 85,740 | 88,368 | 122,225 | 141,200 | 147,070 |
| Upkeep and operation of broadcasting studios | 28,770 | 27,109 | 27,361 | 30,413 | 32,805 | 44,704 | 62,181 | 53,805 | 61,003 | 64,003 |
| Issue, &c., of licences, inspections, &c. | 42,400 | 65,446 | 62,401 | 70,686 | 81,620 | 91,011 | 97,608 | 99,439 | 95,657 | 107,231 |
| Telephone circuits used for broadcasting and miscellaneous expenditure | 16,333 | 26,230 | 31,582 | 47,023 | 71,664 | 92,410 | 118,857 | 101,825 | 160,000 | 201,000 |
| Proportion of general administration expenses | 2,778 | 2,743 | 3,217 | 4,760 | 5,820 | 7,123 | 8,140 | 9,099 | 10,050 | 12,417 |
| Depreciation | 15,618 | 17,860 | 18,810 | 20,340 | 30,770 | 38,100 | 40,682 | 57,324 | 57,300 | 60,884 |
| Proportion of superannuation | 10,485 | 11,004 | 15,754 | 13,048 | 17,221 | 21,018 | 20,723 | 21,049 | 20,003 | 20,347 |
| Interest and exchange charges | 22,709 | 37,235 | 162,343 | 85,184 | 87,718 | 82,210 | 76,054 | 13,205 | 113,301 | 68,477 |
| Balance—Surplus | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Total | 192,480 | 269,040 | 371,604 | 344,036 | 409,241 | 406,623 | 510,988 | 647,039 | 689,693 | 682,133 |
| REVENUE. | | | | | | | | | | |
| Gross Revenue | 603,621 | 634,711 | 770,653 | 805,411 | 935,376 | 1,060,485 | 1,175,725 | 1,248,010 | 1,369,378 | 1,338,602 |
| Less—Payments to Australian Generalized Wireless Ltd. | 63,277 | 50,044 | .. | .. | .. | .. | .. | .. | .. | .. |
| Proportion paid to Australian Broadcasting Commission | 247,764 | 314,127 | 405,049 | 401,375 | 529,136 | 590,072 | 658,737 | 700,071 | 682,685 | 659,460 |
| Net Revenue—Licence fees, fines, &c. | 102,480 | 269,040 | 371,604 | 344,036 | 409,241 | 406,623 | 510,988 | 647,039 | 689,693 | 682,133 |

Note.—Expenditure and revenue relating to wireless services other than broadcasting are included in the above figures. For 1941-42 such expenditure and revenue amounted to approximately £19,000 and £2,000 respectively. Nevertheless, income as "other than broadcasting" expenditure relates to research work on radio frequency generation and transmission, broadcasting benefits.

APPENDIX 3.

POSTMASTER-GENERAL'S DEPARTMENT.

NET CAPITAL EXPENDITURE ON WIRELESS ASSETS TO 30TH JUNE, 1942.

| | Total to 30th June, 1942. | 1932-33. | 1933-34. | 1934-35. | 1935-36. | 1936-37. | 1937-38. | 1938-39. | 1939-40. | 1940-41. | 1941-42. | Total to 30th June, 1942. |
|---|---------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------------------------|
| Broadcasting Stations | £ 100,100 | £ 18,265 | £ 6,069 | £ 90,070 | £ 10,555 | £ 71,044 | £ 60,040 | £ 89,368 | £ 13,711 | £ 6,886 | £ 13,033 | £ 400,700 |
| Broadcasting Studios | 17,308 | 5,672 | 10,798 | 8,465 | 8,848 | 17,325 | 21,384 | 17,904 | 12,602 | 8,029 | 11,054 | 141,670 |
| Other Broadcast and Wireless Assets | 8,767 | 214 | 273 | 906 | 1,407 | 1,656 | 1,800 | 1,738 | 1,607 | 972 | 1,535 | 18,897 |
| Total | 126,365 | 24,081 | 17,740 | 100,038 | 30,810 | 90,026 | 74,229 | 95,000 | 27,880 | 1,608 | 26,104 | 610,386 |
| Expenditure on Wireless Buildings and Sites to 30th June, 1942— | | | | | | | | | | | | |
| Buildings | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 180,056 |
| Sites | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 21,385 |
| Grand Total—Wireless Assets | | | | | | | | | | | | 820,277 |
| Deduct Depreciation Reserve (approximate) | | | | | | | | | | | | 350,277 |
| | | | | | | | | | | | | 470,000 |

The excess of credits over expenditure in 1940-41 was due to the dismantling of several large assets.

| | | | | |
|---|----|----|----|-----------|
| Total surplus on the Wireless Branch from its inception to 30th June, 1942 .. | .. | .. | .. | £ 855,654 |
| Net Capital Expenditure on Wireless Assets to 30th June, 1942 (approximate) | .. | .. | .. | £ 470,000 |

It will be seen that approximately £470,000 of the surplus of the Wireless Branch has been absorbed by capital expenditures on Wireless Assets. In addition to these assets there has been necessary to provide transmission lines to link up the country regional transmitters with the studios after the formation of the Wireless Branch. These are also progressive lines between capital cities which have been installed solely for broadcasting purposes. All these lines, although used exclusively for the transmission of broadcast programmes, are treated as Telephone Assets but have not involved the Treasury in considerable outlay of funds.

Moreover, in order to meet the requirements of the National Broadcasting Service, it is necessary to withdraw trunk line channels from their normal traffic use, often for appreciable periods, and to adapt them for broadcast relay purposes. The total value of the joint trunk and telegraph plant was £13,687,073, as at the 30th June, 1942. The value of the trunk equipment was £2,615,349.

APPENDIX 4.

POSTMASTER-GENERAL'S DEPARTMENT.

AGGREGATE NET SURPLUSES—ALL BRANCHES—1932-33 to 1941-42.

| | 1932-33. | 1933-34. | 1934-35. | 1935-36. | 1936-37. | 1937-38. | 1938-39. | 1939-40. | 1940-41. | 1941-42. | |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----|
| Telephone Branch— | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Surplus .. | 200,275 | 200,273 | 402,332 | 884,423 | 1,117,408 | 1,283,684 | 1,302,402 | 1,038,881 | 1,074,011 | 2,189,068 | .. |
| Deficit .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Telegraph Branch— | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Surplus .. | 101,588 | 41,012 | 15,010 | 64,003 | 70,701 | 73,020 | 51,017 | 108,283 | 104,797 | 404,005 | .. |
| Post Office .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Surplus .. | 1,471,085 | 1,684,008 | 1,828,270 | 1,018,385 | 2,055,903 | 2,004,661 | 2,105,508 | 1,008,146 | 2,174,737 | 2,016,343 | .. |
| Wireless Branch— | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Surplus .. | 22,709 | 87,235 | 102,343 | 86,184 | 87,718 | 82,210 | 76,054 | 13,256 | 113,301 | 58,477 | .. |
| All Branches— | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Net Surplus .. | 1,102,018 | 2,000,104 | 2,407,073 | 2,983,085 | 3,340,930 | 3,633,476 | 3,625,371 | 3,768,665 | 4,007,746 | 5,516,723 | .. |

NOTES.—The rates charged to the public for the services rendered by this Department are not wholly fixed on the basis of cost but as a matter of Government policy to raise certain revenue and, at present, include increased charges estimated to yield over £2,000,000 per annum (£1,100,000 in 1941-42 part year only) to the Treasury to assist it in meeting its heavy commitments for expenditure on account of the war.

The revenue from services rendered by the Postmaster-General's Department is not at the disposal of the Department but forms part of the Consolidated Revenue Fund.

The revenue shown in the Postmaster-General's Department Profit and Loss Accounts includes the value of services rendered to other Departments which are only partly or not at all, paid for in cash so that in determining the actual cash position of the Treasury, as regards the activities of this Department, Treasury figures should be used. In the next paragraph is shown the position for the last two years for which the information is available.

In 1941-42 the Treasury received in cash from Post Office Revenue £21,600,004, approximately £1,100,000 of this was from increased rates to meet war expenses leaving approximately £20,500,000 as legitimate Revenue. The position was the same that year on its services from time provided by the Treasury, a similar amount, viz., approximately £20,500,000, which left the Treasury with £1,600,000. For 1942-43 the Treasury position was worse as its receipts from this Department totalled £24,301,000 of which approximately £2,200,000 has to be deducted as war receipts, leaving a balance of approximately £22,500,000; and the Treasury provided approximately £22,851,000 which was spent by this Department, so that the Treasury was approximately £50,000 on the wrong side of the ledger.

APPENDIX 5.

POSTMASTER-GENERAL'S DEPARTMENT—WIRELESS BRANCH.

ESTIMATED PROFIT AND LOSS ACCOUNTS—YEARS 1942-43 TO 1945-46.

| Expenditure. | 1942-43. | 1943-44. | 1944-45. | 1945-46. |
|---|-----------|-----------|-----------|-----------|
| Upkeep and operation of broadcasting stations .. | £ 168,000 | £ 171,200 | £ 184,800 | £ 205,000 |
| Upkeep and operation of broadcasting studios .. | 68,000 | 70,000 | 72,000 | 74,000 |
| Issue, etc., of licences, inspections, etc. .. | 110,000 | 112,000 | 114,000 | 114,000 |
| Telephone circuits used for broadcasting and Miscellaneous .. | 215,000 | 218,000 | 224,000 | 225,000 |
| Proportion of general administration expenses .. | 12,500 | 12,000 | 15,000 | 15,000 |
| Depreciation .. | 62,000 | 62,700 | 63,800 | 74,700 |
| Proportion of superannuation .. | 9,200 | 9,500 | 9,600 | 10,000 |
| Interest and exchange charges .. | 21,000 | 21,300 | 23,300 | 27,300 |
| Total .. | £ 556,000 | £ 678,700 | £ 719,400 | £ 775,000 |

| Revenue. | 1942-43. | 1943-44. | 1944-45. | 1945-46. |
|--|-------------|-------------|-------------|-------------|
| | A. | B. | A. | B. |
| Gross Revenue .. | £ 1,374,000 | £ 1,417,250 | £ 1,417,250 | £ 1,435,750 |
| Less—Proportion to Australian Broadcasting Commission .. | 743,643 | 767,388 | 837,160 | 773,238 |
| Net Revenue—Licence fees, fines, etc. .. | 631,367 | 610,862 | 589,100 | 655,012 |
| Loss .. | 24,643 | 20,836 | 99,000 | 64,388 |
| Total .. | £ 556,000 | £ 678,700 | £ 719,400 | £ 775,000 |

A.—Basis of licences fee allocation—Australian Broadcasting Commission, 11s.; Post Office, 8s.

B.—Basis of licence fee allocation—Australian Broadcasting Commission, 12s.; Post Office, 8s.

NOTE.—Expenditure (£18,000) and revenue (£2,000) relating to wireless services other than broadcasting are included in the above figures. The deletion of these figures would reduce the estimated losses by £10,000 per annum. Nevertheless, insofar as "other than broadcasting" expenditure relates to research work on radio frequency generation and transmission, broadcasting may benefit.