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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FOURTH REPORT.

DEPARTMENT OF NATIONAL DEVELOPMENT.

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Senator Byrnes — 30-9-53

The President.

On behalf of the Committee, I bring up the
Fourth Report of the Parliamentary Joint
Committee of Public Accounts on the
Department of National Development.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Appointed 25th September, 1952.)

F. A. BLAND, ESQUIRE, M.P. (Chairman).

Senator C. B. BYRNE (Vice-Chairman).

Senator S. D. PALTRIDGE.
Senator the Hon. H. S. SEWARD.

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A. S. HULME, ESQUIRE, M.P.
H. A. LESLIE, ESQUIRE, M.P.
A. V. THOMPSON, ESQUIRE, M.P.

NEIL R. CAFFIN,
Secretary,
Parliament House,
Canberra.

THE DUTIES OF THE COMMITTEE.

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

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the *Audit Act 1901-1950*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in these accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FOURTH REPORT.

DEPARTMENT OF NATIONAL DEVELOPMENT.

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INTRODUCTION.

1. The First and Second Reports of the Parliamentary Joint Committee of Public Accounts dealt respectively with the Supplementary Estimates for 1951-52 and with the circumstances under which transfers were made under section 37 of the Audit Act.

2. In this Report the Committee presents the results of its examination of the accounts of the Department of National Development in terms of its duties set out in section 3 (a) and (b) of the Public Accounts Committee Act of 1951, which are as follows:—

(a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1) of section fifty-three of the *Audit Act 1901-1950*;

(b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed.

3. These accounts show that the amount spent by the Department for the year 1951-52 throughout the Commonwealth was £984,109 as compared with £771,042 for 1950-51 and an estimate of £1,256,000 for 1952-53 (see the Budget 1952-53, pp. 37, 46, 59 and 71). These accounts do not include sums voted for Capital Works and Services for the Snowy Mountains Hydro-electric Authority, the Joint Coal Board and other activities.

4. The Auditor-General having certified to the accuracy of the accounts of the Department, the Committee selected samples of the accounts for investigation with a view to seeing whether or not the general benefit to the public was commensurate with what was spent. The Committee felt that the most effective way in which it could report upon the accounts was by examining the activities upon which money voted by the Parliament was expended. It therefore asked the Department of National Development to submit detailed statements of the functions of the Department, of the staff employed, and of the various projects upon which the Department spent its votes.

5. These statements^(a) were presented by Dr. H. G. Raggatt, the Secretary of the Department, who, with some of his senior officers, was questioned upon the contents of the statements.

(a) Exhibits submitted by the Department of National Development—N.D.1. Statement of Organization, Functions and Costs of Department of National Development. N.D.2. Statement on Assessment of Work of Department of National Development during 1951-52. N.D.3. Accounting Statements submitted by Department of National Development. N.D.4. Brief outline of History of Divisions of Department of National Development.

6. At the first public sitting of the Committee, the Chairman stated^(b) that it would look for assistance from the authorities already concerned with the raising and spending of public moneys, i.e. to the Auditor-General, who is concerned to see that departmental expenditure has been authorized by Parliament and has been properly accounted for; to the Public Service Board, which is concerned to see that the staffing and organization of the departments are such as to ensure the utmost economy and efficiency in carrying out their functions; and lastly, to the Treasury which, in its consideration of the estimates for inclusion in the Budget, sees that the departments are restricted to the amounts that are deemed adequate to achieve the objects of the Government.

7. Representatives of all three authorities have been present at the meetings of the Committee and have given any assistance sought.

THE EVOLUTION OF THE DEPARTMENT OF NATIONAL DEVELOPMENT.

8. The Department of National Development was created on the 17th March, 1950, and Dr. Raggatt has furnished the following information^(c) showing the evolution of the various divisions prior to their incorporation in the Department of National Development:—

Division of Fuel—

- Was established in 1940 as the Petroleum Section, Department of Supply and Development.
- 24th June, 1948—Transferred as Fuel Branch, Department of Shipping and Fuel.
- 17th March, 1950—Fuel Branch transferred to Department of Shipping, Fuel and Transport.
- 2nd July, 1951—Transferred to Department of National Development, designated Division of Fuel.

Bureau of Mineral Resources, Geology and Geophysics—

- In August, 1941, the organization of the Commonwealth Geological Advisor which had previously operated as the Geological Branch, Department of the Interior, was transferred to the Department of Supply and Development.
- Early in 1942, the organization was established as the Mineral Resources Survey, Department of Supply and Development.
- 11th June, 1946—Established as the Bureau of Mineral Resources, Geology and Geophysics, Department of Supply and Development.
- 17th March, 1950—Transferred from Department of Supply and Development to Department of National Development.

(b) See Appendix No. 1.
(c) Exhibit N.D.4.

Division of Industrial Development—

The Division had its origin in the Secretariat established at the end of 1943 in the Department of Post-war Reconstruction to act for the Secondary Industries Commission.

February, 1945—This Secretariat became the Secondary Industries Division of the Department of Post-war Reconstruction.

10th August, 1948—Name changed to Division of Industrial Development.

December, 1949—Transferred to Prime Minister's Department on abolition of Department of Post-war Reconstruction.

17th March, 1950—Transferred from Prime Minister's Department to Department of National Development.

Division of Regional Development—

The Division was first established in October, 1944, as the Regional Planning Section, Division of Economic Policy, Department of Post-war Reconstruction.

December, 1949—Transferred to Prime Minister's Department on abolition of Department of Post-war Reconstruction.

17th March, 1950—Transferred to Department of National Development, and re-designated Division of Regional Development.

Building Industry Section—

In July, 1945, a Directorate of Housing was established in the Department of Works and Housing. This Directorate embraced the War Housing Division (to which had previously been added the War Housing Section of the Department of Post-war Reconstruction) transferred from the Department of Labour and National Service, and the Building Industry Division, transferred from the Department of Post-war Reconstruction.

During 1947 the Directorate of Housing was re-designated Housing Division, Department of Works and Housing.

17th March, 1950—Housing Division transferred to Department of National Development.

17th January, 1951—Name changed to Building Industry Division.

9th November, 1951—Became the Building Industry Section, Division of Development Policy.

Division of Development Policy—

6th July, 1950—Established as a Division of the Department of National Development.

Administrative Division—

Formed following the creation of the Department of National Development on 17th March, 1950.

9. The Department comprises the Central Administration made up of the Canberra Secretariat and the Administrative Division, the Division of Industrial Development, the Bureau of Mineral Resources, Geology and Geophysics, and the Division of Fuel.

10. The Secretary of the Department explained that the Canberra Secretariat represents an amalgamation of the former Divisions of Development Policy, Regional Development, and the Building Industry Section, and includes the Assistant Co-ordinator-General of Works and the Public Relations Section.

STAFFING.

11. The following table shows the strength of the various Divisions of the Department since its formation in March, 1950—

Table with 5 columns: Division, 30th June 1950, 30th June 1951, 30th June 1952, 30th June 1953. Rows include Administrative Development Policy, Regional Development, Building Industry, Fuel, Mineral Resources, Industrial Development, London, and Total (c).

(c) Figures supplied by the Public Service Board. The establishment approved by the Public Service Board as at 30th June, 1952, was 672.

12. The cost of salaries, wages, and extra duty pay for this staff as shown in the Department's statements is—

Table with 3 columns: 1950-51, 1951-52, Seven Months, 1st July 1952, to 31st January, 1953. Rows show £ 533,072, £ 653,678, and £ 340,150.

FUNCTIONS.

13. The following extracts from the Administrative Arrangements Order, authorized by His Excellency the Governor-General and gazetted on 2nd July, 1951, set out the functions of the Department of National Development:—

Table with 2 columns: Matters dealt with, Acts Administered by the Minister. Contains 7 numbered items related to survey, development, and housing.

Table with 2 columns: Matters dealt with, Acts Administered by the Minister. Contains 15 numbered items related to coal, petroleum, and geophysical surveys.

Table with 2 columns: Matters dealt with, Acts Administered by the Minister. Contains 15 numbered items related to oil, gas, and petroleum products.

14. The Department claimed that this Order was its charter of operations, but when it did things not defined in the Order, it said it was acting under Ministerial or Cabinet direction.

15. The importance which the Department attached to the prescription of its functions in the Administrative Arrangements Order moved the Committee to make a special investigation into the compilation, administrative character, and legal basis of the Administrative Arrangements Order. As it is reporting separately (a) upon the Administrative Arrangements Order, it is only necessary for the Committee in this Report to point out that as there has been general uncertainty as to the actual effect and scope of the Order, the Department should not be criticized unduly for the interpretation it chose to place upon it. Nevertheless, acting under its own interpretation of the Order, and with Ministerial or Cabinet authority, the Department was able to go to the Public Service Board and obtain additional employees to carry out its scheduled functions and then to submit estimates based upon them to the Treasury for necessary funds. In the result, over the space of three years its expenditure has grown from £771,042 in 1950-51 to an estimated £1,256,000 in 1952-53. These figures do not include capital works and services.

16. In considering the nature and extent of the functions of the Department of National Development, the Committee knows that the Government made the creation of such a department a definite feature of its policy in 1949. There is, of course, the possibility that almost anything can be construed as falling within the scope of national development, and it is in this sense that the Committee is concerned with what is being done. Different people will answer differently the question what proportion of the public revenues shall be expended in exploring, surveying and testing the nature, quality and extent of such natural resources as coal, oil or uranium. In fact, the Government has been criticized by both sides of the House for not spending more on development.

17. The Committee discussed these matters at length during its review of the statement of functions in the Administrative Arrangements Order. As the Order stands the description of functions is stated vaguely, too widely and with too much repetition.

18. For example, Function No. 3, "Surveys of natural resources and development", is a statement in wide terms. Does this mean "surveys of natural resources and of development" or should it read "surveys and/or development of natural resources". In either case, it can embrace Nos. 1, 4 and 7. Function No. 2 on decentralization and regional development is probably embraced by Function No. 4.

(a) Third Report of the Committee 1952-53.

19. Other functions listed have almost ceased to have, or have had only nominal, operative effect. Examples of this are Functions Nos. 6, 10, 12, 13 and 14.

20. Some of the functions are expressed in general terms, and the meaning of others, for example, "Promotion and production of liquid fuels", is vague.

21. It was agreed by the departmental witnesses that the statement of functions should be more precisely drawn.

DIVISIONS OF THE DEPARTMENT.

22. The effect of the Department's interpretation of its functions, few of which have definite legislative authority, is that it has been able to adventure into many fields. The Department strongly denied suggestions that it was "dabbling in other people's affairs" or was responsible for overlapping or duplicating activities that were being carried out by State departments or other authorities.

23. Replying to questions as to what part he thought the Department should play in national development, the Secretary of the Department stated (a) that it should be a stimulating and advising body except for its executive functions in some of the larger sections of the Department. From the evidence before the Committee, it is doubtful whether the Department always follows this doctrine.

BUREAU OF MINERAL RESOURCES, GEOLOGY AND GEOPHYSICS.

24. In this case, your Committee was informed that the Bureau had a charter, within the general terms of its functions, to proceed with surveys in North Queensland and North-western Australia, and to undertake investigations for uranium and coal. In these activities, the Department undertook executive functions within the meaning given by Dr. Raggatt. Two of the more important operations undertaken by the Bureau, i.e. the exploration of coal, and the drilling for oil, were discussed in detail by the Committee.

25. Where the Department undertakes its own surveys and testing, it must spend a substantial sum of money upon equipment and organization. The results of this expenditure on coal and oil exploration are set out in the following paragraphs.

Coal Exploration.

26. In regard to coal exploration, the circumstances of the past few years stimulated the Bureau of Mineral Resources, through its Petroleum Technological Section, to make an intensive search in the New South

(a) Transcript of Evidence of 19th February 1953.

Wales fields. From £14,048 in 1950-51, the Department's expenditure on this section, mainly for these surveys, increased to £76,158 in 1951-52 and is estimated at £200,000 in 1952-53. And this does not involve any allowance for administrative overhead.

27. Dr. Raggatt told the Committee that it had been intended to build up a governmental organization which would do the work more cheaply than private contractors, "but we have been disabused of that opinion."⁽⁴⁾ It was found that the private contractors would not undertake drilling at the more difficult locations, but that in other places they could do the work more cheaply and obtain as good or better results than the Bureau. For example, figures for the operations of the Bureau and some contractors are—

Contractor No.	Feet per man shift.
1	5.8
2	5.9
3	5.8
Bureau of Mineral Resources	2.2

28. The Committee asked the Secretary of the Department for the reasons why better results were achieved by private contractors. He said that, apart from the fact that the Bureau was left with the most costly drilling, it was because, amongst other things—

- (1) bonuses were paid by contractors for both footage and high coal core recovery;
- (2) no limitation was placed on the amount of overtime worked, and earnings accordingly were limited only by the drillers' willingness to work;
- (3) contractors' employees lived in tents on the job and worked long hours. Each crew maintained its own plant;
- (4) no delay occurred in making and carrying out decisions;
- (5) of sound transport vehicles, backed by good local maintenance;
- (6) of flexibility in employment according to the needs of the job.

29. Government agencies such as the Bureau are not in a position to adopt many of these procedures, and their organization is such that they are not suited for large-scale operation in this type of work, at least in well developed areas where good facilities are available.

30. The present position is that the open-cut coal exploration programme has been so successful that it has been decided to reduce the rate of drilling considerably and to carry out by private contract such work as is done. Of the five plants purchased by the Bureau for this work, two have been sold at satisfactory prices, one was lost in a bush fire, and two are held pending examination whether they are required for other work.

31. The West Wallaced camp has been passed to the Department of the Interior for disposal and the Muswellbrook camp is being retained until a decision has been reached regarding a deep drilling programme.

32. The Committee wished to know what was likely to be the effects of the changed conditions upon staff and costs. Dr. Raggatt said⁽⁵⁾ his policy would be "that while there is useful work to do, it would be unwise to disperse the small number of skilled personnel who have been trained in rotary drilling". "We are moving towards the retention of a nucleus of men who would be available for work in remote places where private contractors would not go." Dr. Raggatt agreed that this policy could be changed by the Government; he thought much would depend upon what happened to the deep-well plant.

(4) Transcript of Evidence of 19th May, 1953.
(5) Transcript of Evidence 16th February, 1953.

Drilling for Oil.

33. The deep-well plant acquired for oil exploration is represented in the accounts of the Department by a sum of £250,000.

34. Prior to World War II., the Government assisted oil search by hiring out Government-owned drilling plants and by financially assisting prospecting companies. The plant so hired (three in number) was manufactured in 1927 and was acquired by the Government in 1938. In 1945, the Government approved a new policy of oil search, part of which envisaged Government drilling carried out through the Mineral Resources Survey Section.

35. Two of the three plants had to be combined to drill 6,300 feet at Nerrima, and with care it was thought the bore might reach 7,500 feet. New geological and geophysical evidence suggested the need for deeper drilling, and in 1948 the Bureau of Mineral Resources began inquiries about the availability of rotary drilling equipment "required for the purpose of modernizing Commonwealth oil-boring plant".

36. According to the departmental submissions shown to the Committee, provision was made in the 1948-49 estimates for £73,400 "for the modernization of deep drilling plant, and repair and maintenance of existing plant in use at Nerrima". Only £8,400 was expended in that financial year. On 6th July, 1949, the then acting Secretary of the Department obtained the Minister's approval to spend £22,000 on a list of items for replacement equipment recommended for purchase "at this stage". Nothing was done until after the change in Government, and on the 10th July, 1950, the then Secretary obtained the approval of the Minister to a recommendation by Dr. Raggatt to the signing of four requisitions "for plant required for the modernization of the deep-well oil-boring plant". The original estimate of £22,000 had now become £105,194 by reason of the changed value of money. And then, for the first time in these submissions, there is a note dated 21st June, 1950, suggesting that "the remaining items . . . would involve approximately another £115,000". But each submission is headed "modernization of deep-well oil-boring plant" and there is no direct statement in any of the submissions or minutes in the files made available to the Committee that the Department was purchasing a new plant.

37. In November, 1950, officials of the Department, the Western Australian Government and Freney Kimberley Oil Company agreed that a deep well should be drilled at Nerrima, Western Australia, and an exchange of letters indicated an agreement in August-September, 1951, on a tripartite sharing of costs between the three principals. However, by June, 1952, new estimates of cost had been prepared by the Department and the Commonwealth Treasury then asked the Department to refer the proposal to Cabinet for consideration. Before this could be done, doubt arose in July, 1952, as to the ability of the parties to secure the necessary finance and the negotiations for an agreement subsequently lapsed.

38. For some years, large oil companies had been interested in the Kimberley area and during the period November, 1950, to July, 1952, the West Australian Petroleum Company inquired of the Department whether its new plant would be available. The company was told of the Government's plans for drilling at Nerrima and thereupon it made its own arrangements to get plant from the United States of America.

39. Subsequently, results of further geophysical surveys suggested that Nerrima was not a satisfactory site, so that in the upshot the Government has been left with the plant on its hands.

40. The plant has never been used, and is in store in Melbourne. It is an immense piece of machinery, having a tower 170 feet high. It takes much space, but the Department claims that it pays nothing for storage. Nor does it pay for maintenance, although it is agreed that the plant could become obsolete in time.

41. Furthermore, there is no statement in any of the Departmental submissions between 1948 and 1952 made available to the Committee to show what the possible cost of the deep-well plant would be, nor any indication that it would cost about £500,000 to drill a hole at Nerrima.

42. The Committee therefore sought information from the Treasury to discover how much the Bureau of Mineral Resources had asked for on the annual estimates from 1948-50 onwards, at the same time asking Dr. Raggatt to provide a further statement covering the negotiations between his Department and the Treasury for funds for purchasing the drilling plant, and for undertaking drilling.

43. The following statement shows the financial story of the efforts of the Department to obtain funds from the Treasury for plant and equipment for the Bureau—

STATEMENT SHOWING AMOUNTS ASKED FOR, AND AMOUNTS GRANTED BY THE TREASURY TO THE BUREAU OF MINERAL RESOURCES, DEPARTMENT OF NATIONAL DEVELOPMENT.
(In round thousands of £s.)

Financial Year.	Amount sought by Department.	Amount placed on the Estimates.		Remarks.
		£	£	
1948-50	£204,000 (including £218,000 for drilling plant and spares)	350,000	40,000	Ministerial approval for £22,000 for rotary drilling spare parts, new plant, and running spares obtained August, 1949
1950-51	£245,000 (including £180,000 for drilling plant, etc.)	300,000	160,000	Ministerial approval for £105,000 for modernizing deep-well oil boring plant obtained 6th June, 1950, in place of approval of August, 1949
1951-52	£220,000 (including £105,000 for plant ordered in 1950-51 and £30,000 for new orders for plant)	400,000	330,000	Further acquisition agreed by Minister in June, 1951
1952-53	£300,000 (and authority for £35,000 for new orders or plant and equipment)	250,000	102,000	On 27th August, 1951, Ministerial approval obtained for further £124,201

Notes—

(1) Ministerial approval obtained for estimates each year.

(2) These are Treasury and Departmental figures.

44. It is hardly necessary to say that Ministers are entitled to expect from their departmental advisers the clearest presentation of the several consequences that are likely to result from the adoption of any given proposal. Even greater care is essential when frequent changes occur in the ministerial and administrative⁽⁶⁾ direction of a department. It seems to the Committee that the decision of the several Ministers in the case of the deep-well plant would have been easier to make had they been presented by the Department with a statement showing—

1. The original estimate for the complete equipment;
 2. The amount required for the current year's estimates;
 3. The amount expended to date.
 4. The amount needed to complete the transaction, and
 5. An estimate of the cost of operations.
- And there should have also been a clear and unequivocal statement of the meaning of "modernizing" the plant, and whether or not it was intended to be used at Nerrima.

DIVISION OF INDUSTRIAL DEVELOPMENT.

45. This Division has passed through many vicissitudes since it began to function as the Secretariat for the Secondary Industries Commission inside the Department of Post-war Reconstruction in 1943. When it became the Division of Industrial Development in 1947, it mapped out an ambitious programme and sought the appointment of an additional 51 permanent officers to carry it out. Differences of opinion between the Department, the Public Service Board and the Treasury, about the desirability of the programme resulted in limiting the permanent staff of the Division to 100.

(6) Note—Dr. Raggatt became Secretary of the Department of National Development on 14th July, 1951.

46. Further functions were added during 1948-49 by Cabinet decisions, and in 1950 the Division became incorporated in the Department of National Development. In the proposed re-organization that followed the absorption, additional staff were once more sought for the Division of Industrial Development. Again there were discussions which disclosed that some of the existing temporary positions had already been made permanent, and as a result, it was decided to review the 1947 decision to limit the staff to 100 permanent positions.

47. Before the discussions could be completed, the Government in 1951 announced its decision to reduce the strength of the Commonwealth Public Service by 10,000. At the time, the Division had 313 employees, 98 of whom were permanent. The Government directed that the staff of the Division under retrenchment should be reduced to 200. At the end of 1951 there were 83 permanent officers, 105 temporary, and 8 exempt, a total of 196, and these were employed in all the Australian capitals (with the exception of Hobart), and in London and Washington. At the end of June, 1952, there were 191 employed, of whom 84 were permanent.

48. It will be seen that there has been consistent effort to build up the strength of the Division, and the Division equally consistently appealed to the Administrative Arrangements Order as justifying requests for more staff if it was effectively to discharge its "authorized" functions.

49. In 1951, at the instance of the Treasury, the Public Service Board conducted an investigation into the organization of the Division of Industrial Development under section 17 of the Public Service Act, the results of which were presented to the Department in April, 1952.

50. The character and scope of the activities of the Division of Industrial Development are not clear, and the generality of the terms in which its functions have been stated provoked the Committee to discuss with departmental witnesses whether the Division felt that it should impose any limits upon itself in carrying out its functions, and whether many of those functions could be justified as being of Commonwealth interest.

51. The functions of the Division have been changed substantially since they were first elaborated in 1947-49, but the Division claimed that its most important function has been the study of the structure and operations of the manufacturing industries of Australia.

52. In this connection, the Division has published an imposing volume called *The Structure and Capacity of Australian Manufacturing Industries*, which retails at 53 5s. per copy. Like some publications, its value has been assessed differently by different reviewers, but the *London Economist* of 2nd May, 1953, declares that—

"This comprehensive and detailed survey of Australian secondary industries was originally undertaken by the Government as a departmental inquiry into the gaps in Australia's manufacturing capacity."

"Although this survey may not be entirely a monument to economic wisdom, it most certainly is a monument to Australian ingenuity, skill and commercial enterprise in the processing of all locally produced materials, and in the development of a heavy industry which in efficiency is second to none in the Commonwealth. It is a domesday book of which the Australian business man can be proud, and the British business man can keep on his shelf as a reference book with interest—if not always with profit."

53. The evidence presented to the Committee showed that the Division was and had been doing many other things, which occupied much time and man-power, and this, irrespective of whether there was clear authority or not. So the Division became accepted as the competent organization to make investigations for the Industrial Finance Department of the Commonwealth Bank, for the Capital Issues Board, and the National Resources Planning Board. It became the channel for distributing scientific reports obtained from Germany, for the provision of a microfilm service to industry of drawings obtained from overseas. It assisted to select and place in Australia leading German and other overseas scientists, and it prepared material for briefing Australian representatives to overseas conferences.

54. Inquiries revealed that the Departments that used the Division were satisfied with what they got, for it saved them from making their own investigations, but there was the suggestion that some of the reports supplied by the Division were far too elaborate.

55. Again, it was noted that the Division undertook the "sponsorship" of applications for obtaining such things as import licences, export licences from the United Kingdom and the United States of America, shipping space, overseas travel by industrialists, priority passages for technicians, building permits, and telephones.

56. In many of these cases it seemed to the Committee that the Division went to unnecessary lengths in acting as an "agent" for clients and in doing things gratuitously for those clients that were hardly justified by the circumstances of the case.

57. The Division held itself out as being ready and able to supply local or overseas inquiries with answers to a wide range of economic, social, and statistical questions.

58. No one will be found to cavil at the view that it is highly desirable for some one to be able to answer inquiries about the potential resources of Australia, but it is one thing to tell an inquirer where he can get that information, and another to use transport, equipment and man-power in getting it for him. Much of the work associated with some activities has diminished, as in the case of inquiries on behalf of Capital Issues

Board, but the Committee is of opinion that there is room for more discrimination than has been shown by the Division. It requires little imagination to realize how costly these activities can be in man-power, accommodation and equipment.

Surveys and Publications.

59. The Committee was informed that "a large part of the activities of the Division" is concerned with making a wide variety of surveys and investigations into industry. They are undertaken for a variety of reasons, including the provision of information asked for by private industrialists, or to help the Government or institutions. Some of the material collected in making such surveys may later be published by the Division, in the series "Brief Reviews of Industry".

60. The Committee was given a comprehensive statement of these "surveys" and perused some of the "Brief Reviews" published. It was clear that this work did comprise "a large part of the activities of the Division" and consequently the Committee closely questioned Dr. Raggatt and his Assistant Directors about the methods used in making the surveys, the man-power involved, the cost, and the value to the Government and the public of the published work.

61. The information is collected by officers going round industrial, commercial and public undertakings and interviewing persons engaged therein. The Committee was not able to obtain any clear statement of the way in which departmental decisions were reached nor the order in which surveys were to be made, nor how many officers were to be engaged in making them. In fact, the Department said it was not possible to give the Committee any idea of what each "Brief Review" cost. The inference can be drawn that the approach of the Division is that it has a certain staff and so much money for salaries and incidentals, and it works blindly on projects as long as there is money in its works.

62. The Committee was told that the value of this work to the Department and, therefore, to the Government, mainly consisted in building up a pool of information about many phases of Australian industry which would be readily available for briefing departments at local or overseas conferences, for supplying answers to questions from departments or institutions, for stimulating investment, and especially for supplying the trade with facts about the general level of industry, and possibilities of expansion.

63. When the Committee sought to find what value industry or "the trade" placed upon this part of the work of the Division, the answers naturally varied with what the various firms expected to get from the several "Brief Reviews". We take as an example the comments upon the "Cement Review". One firm "thought the publication was a very good summarization and was of value in estimating Australia's requirements of cement and was a guide to necessary future development". Another thought "the publication was certainly interesting, (but) it was not of particularly great value to the industry, because much of the information contained in the pamphlet is collected either on an industry basis, or by companies individually. It was, however, useful to be able to check company estimates of demand against those prepared by departmental officers".

64. Other associations or firms expressed divergent views. One thought the "time, care and expense of producing the Reviews out of all proportion to their relatively slight temporary value", particularly as the information was readily available elsewhere in departments such as the Commonwealth Statistician, the Departments of Trade and Customs and of Commerce and Agriculture, and also from the trade associations themselves.

65. A paper-manufacturing firm "considers that this publication (dealing with paper) is of value to industry and to the community generally. . . . it is important that the Australian public should know something of its major industries, particularly those that are less well known. . . . reviews of this kind should be . . . widely circulated".

66. Even if the information were available elsewhere, the Department thought it was helpful to have it compiled and published in handy form. It was true that the reviews combined the technical and the popular approach, and the Division accepted the view that the reviews should be circulated widely. A large mailing list is being built up and, in addition to sending copies to the trade, the reviews are useful for satisfying a large exchange list and for interesting the "general reader" in Australia and overseas.

67. No charge is made for the Reviews, nor is any charge made to the several industries reviewed for "services rendered". Dr. Raggatt strongly believes that the various services of the whole Department should be supplied without charge. Because of the criticism of the expense involved in publication, the Department will in future seek to reduce the cost by reducing the "Reviews".

68. Another publication that has come under the notice of the Committee is the quarterly review called *National Development*, which is produced in the Public Relations Section of the Department of National Development. It is priced at 2s. 6d. a copy or at 10s. for an annual subscription. This is a very elaborate and costly production and is another means of using the material collected by the Department of National Development.

69. It is clear to the Committee that considerable man-power, material and equipment are used in producing publications of this character that are generally taking the place of the more sombre annual reports. The Committee brings the matter under the notice of the Parliament as one way in which substantial savings might be effected.

70. Reverting to the inability of the Department to assess the cost of producing any one of its "Brief Reviews", it is not enough to know the actual cost of printing any particular review; the main components of cost—the time occupied by the administrative and investigating staff plus the cost of such things as transport, equipment and accommodation should be readily available. Nevertheless the Department maintained that it is impossible to allocate to any one review the exact proportion of the salaries of officers employed in its compilation, as they are not occupied on any one project exclusively over any one period of time.

71. In assessing the value of these "Brief Reviews", much depends upon the intrinsic character of the work done. If it is genuine research adding to the sum of our knowledge, the Department may be justified in making its conclusions public and then leaving the exploitation to the industries concerned. This was the view expressed by the Minister in charge of the Commonwealth Scientific and Industrial Research Organization, who on the 17th September, 1952, said in the House of Representatives that—

"My mind has been exercised for a considerable time by the question whether the expenditure of public funds on the problems of specific industries is justified without adequate or, in many instances, any payment being made by those industries in return for the assistance of the organization. I have held discussions with high officials of the organization in recent months in order to determine whether the present system should be continued, or whether, instead, it would be better to encourage the establishment of research associations for particular industries to work in conjunction with the Commonwealth Scientific and Industrial Research Organization under an agreement for the sharing of costs. The

bread industry and the leather industry are notable exceptions to the general run of secondary industries because they already maintain independent research organizations. I cannot but extend to other industries in the hope that it will be emulated. Unless such industry research organizations are established, the Commonwealth Scientific and Industrial Research Organization may be forced to curtail, if not discontinue, the research work that it is doing on behalf of particular secondary industries."

72. The lines of demarcation between "research" and "surveying" were considered by the Government in 1948, when it was examining the extent to which specific aid should be given to improve industrial efficiency. In *Agendum No. 1497* of 28th July, 1948, the Government said it was "prepared to develop this type of service if adequate use is made of it by industry". And then turning to the division of functions as between the Division of Industrial Development and the Commonwealth Scientific and Industrial Research Organization, the minute proceeded: "Fundamental research is the responsibility of the Commonwealth Scientific and Industrial Research Organization and other bodies in Australia and abroad. This applies both to science and to technology of all kinds. The ultimate aim is to ensure the application of the results of appropriate research in the factory." In the opinion of the Committee the "Brief Reviews" must be classed as "Surveys".

DIVISION OF FUEL.

73. In the case of the Division of Fuel, the Committee was informed that many of its functions have ceased or are falling off. The Commonwealth has disposed of its interest in the Commonwealth Oil Refineries and is winding up Glen Davis. Although this is the case, the Department thinks that no reduction should be made in the level of staffing of this Division, but that, rather, it should be maintained against a possible emergency occurring in the supplies of fuel. Dr. Raggatt urges that specialists should not be "turned off" because in an emergency they could not readily be replaced.

OBSERVATIONS BY THE COMMITTEE.

74. Throughout its examination of the accounts of the *Department of National Development*, the Committee has confined itself to a review of the results that flowed from the interpretation that the Secretary of the Department placed upon his powers and duties. In a considered statement (*see* paragraph 93), Dr. Raggatt posed the alternatives that confronted him in exercising his powers. Should the Department act as an executive body, or as a scientific body to advise and stimulate private enterprise? Or, to put it another way, should the Department itself undertake field operations or should it restrict itself to promoting private endeavour by advice, and by the use of Commonwealth funds and equipment where that course was thought advisable.

75. If the Department undertakes field operations, it will need to spend substantial sums upon equipment, bases and staff to build up an effective organization for the work. And there is always the risk that the particular operations will fail, thereby involving the Government in heavy losses, an experience that never seems to register.

76. The purchase of the deep-well oil plant already referred to in paragraphs 33-34 illustrates the problem. Legislation authorized the Department to hire out drilling and other plant and to give subsidies to assist companies prospecting for oil. When the departmental plant became obsolete, the Department sought approval to "modernize" the plant.

77. The Committee had different versions of this subject given to it by the Secretary of the Department. The answer to one question turned upon what was meant by "modernization". Did it mean buying "major items which need immediate replacement" (submission

of 5th July, 1949) or did it mean buying a completely new and very expensive plant (implied in submission of 21st June, 1950). The answer to another turned upon whether the plant was not bought for use at Narrina (the site of boring operations for many years) and, lastly, there was the question whether the purchase was a matter of "general policy" on the part of the Department which decided to buy a useful piece of equipment to have about in case it was needed. If this last submission by the Secretary is accepted, then this "general policy" resulted in the Department being left with the plant on its hands, when it might have been relieved of it by the Western Australian Petroleum Company, a company that repeatedly inquired about the plant between 1950 and 1952, before it decided to buy its own drilling plant.

78. Another case reviewed by the Committee is that of coal exploration in New South Wales referred to in paragraphs 26-32.

79. The Department said that originally it believed that it could carry out the Government's policy of coal exploration more effectively by building up a fully equipped departmental organization rather than by letting contracts to private operators. This judgment proved to be correct where the drilling had to be done in inaccessible areas where private contractors would not work, but incorrect where the conditions were favorable. With the conclusion of the programme of coal exploration, the Department is faced with losses, and has been left with camps and equipment on its hands that it is trying to sell.

80. Mistakes of judgment of this character tend to produce other results. The Secretary of the Department told the Committee that the very possession of equipment and trained staff inclined the Department to try to find work to do (see paragraph 32 above). In such cases, the wasteful consequence of unwise decisions become cumulative.

81. Somewhat similar is the problem presented by the Division of Industrial Development. The Division has been built up to collect a store of facts about Australian industry, and its prospects of expansion. But the Department could give the Committee no idea of what the various aspects of work of the Division cost. The measure of the success of the Division appeared to be what it spent, and not what its various activities cost. Furthermore nothing had been done to enlist the interest of the several industries in undertaking their own research so that the full cost would not fall upon the Government.

82. The foregoing illustrations present a common pattern. In such case, an approved project has produced results quite different from what the Department expected. Some members of the Committee feel that the attitude with which the Department approached these projects showed a lack of realism, and savoured too much of an expectation that something would turn up to justify the expenditure involved.

83. The nature of the work of national development is such that vast expenditure can so easily fail to produce any commensurate return. For this reason, the Committee recommends that the Government should give close attention to the activities of the Department. Some members of the Committee would go so far as to suggest that there should be associated with the Department an Advisory Committee comprising representatives of the Prime Minister's Department, the Treasury, the Public Service Board and the Department. Such a Committee (and a similar one has recently been appointed in connexion with the Snowy Mountains Hydro-electric Authority) should help to provide a reconciliation between the demands of efficient and economical administration, and the claims of scientific expansion.

84. The Committee did not attempt to assess the value to Australian national development of the work done by the Department, but is of the opinion that it is essential that the Department should be restrained in selecting projects and vigilant in seeing that value is obtained for what is spent.

85. Other conclusions of the Committee are—

That the functions of the Department and its several divisions be defined with greater precision,

That the scope of the gratuitous services supplied by the Department be examined,


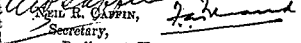
That care be taken to avoid duplication by this Department of work done by State and by other Commonwealth departments,

That the question of charges for many of the publications now being issued by the Department be reviewed,

That the work of the Division of Industrial Development be better organized,

That in view of the inevitable obsolescence of the deep-well oil plant, a firm decision regarding its retention or disposal be hastened; meanwhile the care and protection of the plant should be the subject of periodical reports by a competent authority,

That in presenting its Estimates to the Parliament, the Department should indicate either in the specific items or subdivisions or by the use of footnotes, the precise projects upon which it proposes to spend its appropriation.

On behalf of the Committee,

 F. A. BLAND, Chairman.

 Reginald R. GRIFFIN,
 Secretary,
 Parliament House,
 Canberra.
 August, 1952.

APPENDIX No. 1.

FIRST PUBLIC MEETING OF THE JOINT COMMITTEE OF PUBLIC ACCOUNTS, 19TH FEBRUARY, 1953. OPENING REMARKS BY THE CHAIRMAN (PROCEEDINGS BY F. A. BLAND, M.P.).

As this is the Committee's first public meeting it may be appropriate if I make one or two remarks about its nature and purpose. The Committee was constituted by the Public Accounts Committee Act 1951. The first Public Accounts Committee functioned for many years prior to 1932, when it was dissolved. Ironically enough the Committee was established as an economy measure at the very time when it might have been able to render its most valuable assistance to the country.

There are three main instrumentalities concerned with the administration of public finance. First, there is the Treasury, which has to safeguard the volume of expenditure to which the departments wish to commit the Government. Then there is the Auditor-General, who is concerned with the honest expenditure of public funds and, particularly in recent years, with ensuring that funds are used for the purpose for which they are voted and for no other purpose. It has been necessary to make some modifications of that rule as, for example, in relation to transfers from unexpected votes to other votes. That is a matter to which the Committee will have to give some attention. The third instrumentality is the Public Service Board, which is charged with the responsibility of ensuring that the various government departments shall be so efficiently organized that the funds voted by the Parliament that it is not altogether satisfied that, even with the three existing agencies, sufficient care is taken to ensure that Parliament shall have a real control of the purse.

Parliamentary control of the purse was real at one time but it is not so real today. The re-establishment of this Committee may be taken to express the wish of the Parliament to secure some further control over the expenditure of public funds. For that purpose, the Committee has been endowed with certain powers.

Section 8 of the Public Accounts Committee Act provides that the Committee shall examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General. However, paragraph (3) of section 8 clothes the Committee with almost plenary powers. It provides that the Committee shall report to both Houses of the Parliament, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed. Then there is the further duty to consider the form of the accounts with a view to suggesting improvements in the interest of

either economy or efficiency. Lastly, the Committee has the duty of inquiring into any matter in connexion with public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question.

These are our duties and, with the assistance of the other instrumentalities, we shall perform them to the best of our ability. The Committee has already had a number of meetings and has decided upon its procedure. As I have said this is our first public meeting and it is an important occasion because we are making history.

We have decided to adopt our procedure to that followed by the House of Commons and, in consequence, we shall have, as the British Public Accounts Committee has, the assistance of the Audit Committee of the House of Representatives and of the Secretary to the Treasury, or his representative. On occasions we shall, of course, rely very heavily on the representative of the Public Service Board.

Another feature of the practice adopted by the Committee has been the steps it has taken to ensure that the Committee's reports shall be properly considered. The Right Honorable the Treasurer has agreed to discuss each report submitted to the Parliament and to advise the Committee of the action he has taken in regard to the recommendations. The Treasurer's decision will be published in subsequent reports of the Committee.

Private meetings will be held whenever there is a need for them, otherwise our meetings shall be public. Our procedure will be to ask witnesses to present written statements which will become the subject of subsequent discussions with Committee members. When witnesses present material to the Committee they will be presenting it to critics of the public account system, but we shall endeavour to be generous critics. We shall be frank with witnesses and we hope that they, in turn, will be frank with us. Our public meetings will be open to the press, but private meetings will not. Opportunities to be heard will be given to people outside the Public Service who consider that they have some contribution to make to our discussions. However, we shall require such people first to submit a memorandum setting out their reasons for wishing to appear before the Committee. The Secretary will bring such representations to the notice of the Committee and the Committee will decide whether or not the person, or organization concerned should have an opportunity to appear before it. I shall proceed with this meeting now in the hope that the objectives that Parliament expects us to attain shall be attained and that the assistance of all instrumentalities concerned will be forth coming.

The Committee decided at an earlier meeting that it would ask the Secretary of the Department of National Development to attend today's proceedings. I now welcome Dr. Beggart and his associates, and the representatives of the Treasury and the Audit Department.

Canberra.
 19th February, 1953.