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JOINT COMMITTEE OF PUBLIC ACCOUNTS

TENTH REPORT

DEPARTMENT OF NATIONAL DEVELOPMENT : FURTHER REPORT

JOINT COMMITTEE OF PUBLIC ACCOUNTS

(appointed 25th September, 1952)

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

Senator O.B. Byrne (Vice-Chairman)

Senator S.D. Paltridge

Senator the Hon. H.S. Seward

G. Anderson, Esquire, M.P.

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A.V. Thompson, Esquire, M.P.

Neil R. Caffin,
Secretary,
Parliament House,
CANBERRA. A.C.T.

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 those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connection 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.

I N D E X

	<u>Page</u>
Introduction	1
The Joint Committee	1
The Committee - A Single Entity	2
Procedure After Presentation of Report	3
Comments during Senate Debate	3
(1) Staffing	4
(2) Oil Drilling Plant	4
(3) Cost of the Department	6
(4) Departmental Publications	7
Appendix No. 1 : Copy of Employment Sheet (Form P. S. B. 39) forwarded by the Department of National Development to the Public Service Board by Memorandum dated 8th May, 1953. (Reference S12/53/4).	
Appendix No. 2 : Copy of Employment Sheet (Form P. S. B. 39) forwarded by the Department of National Development to the Public Service Board by Memorandum dated 8th July, 1953, (Reference S12/53/6).	
Appendix No. 3 : Extract from Exhibit N. D. 2 Presented to the Committee by the Department of National Development.	
Appendix No. 4 : Extract from Transcript of Evidence of 19th May, of Public Hearing of Department of National Development.	
Appendix No. 5 : Copy of Letter dated 12th June, 1953 from the Secretary of the Department of National Development to the Committee.	
Appendix No. 6 : Extract from Letter dated 2nd October, 1953, from the Secretary of the Department of National Development to the Committee.	
Appendix No. 7 : Extract from Letter dated 12th October, 1953, from the Secretary of the Department of National Development to the Committee.	

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ELEVENTH REPORT

DEPARTMENT OF NATIONAL DEVELOPMENT : FURTHER REPORT

INTRODUCTION

1. In view of the debate in the Senate upon the Fourth Report dealing with the Department of National Development, the Committee deems it necessary to inform the Parliament of the principles it has established, and under which it operates, as well as the procedure adopted to ensure that the fullest consideration is given to its Reports.

THE JOINT COMMITTEE

2. The Joint Committee of Public Accounts is established under the Public Accounts Committee Act 1951 as a Parliamentary committee.

3. The duties of the Committee are set out in Section 5 of the Act, 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;
- (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 questions 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.

4. Section 7 of the Act prescribes how the decisions of the Committee are to be taken :

- (1) At a meeting of the Committee a majority of the members constitutes a quorum.
- (2) All questions to be decided by the Committee shall be decided by a majority of the votes of the members present.
- (3) The Chairman or other member presiding shall have a deliberate vote and, in the event of an equality of votes, shall also have a casting vote.
- (4) Where the members present do not vote unanimously, the manner in which each member votes shall, if a member so requires, be recorded in the minutes and in the Committee's report.

5. Section 6 of the Act provides for the appointment of two Committee office-bearers - the Chairman and the Vice-Chairman.

6. Power to take evidence and to summon witnesses and to do other things is given to the Committee in other Sections of the Act.

THE COMMITTEE - A SINGLE ENTITY

7. The Committee acts as a single entity, and not merely as a collection of individuals. Its Reports are the collective production of the members. When the Committee's views have been approved, they are embodied in Reports which will be presented to the Parliament by the person authorised by the Committee so to do.

8. The Committee emphasises the necessity for the Parliament to respect its distinct nature. The alternative is to regard the Committee as a group of ten individuals acting without any common loyalty or any common responsibility. Such an attitude would obviously defeat the purpose of the Parliament in creating a joint committee of both Houses and of all political parties.

9. This is the explanation of the determination of the Committee not to answer criticism in the course of a debate and it must be emphasised that this attitude was not taken on the eve of the debate now proceeding.

10. If reference is made to the First Report of the Committee presented to the Parliament in March, 1953, and to the Appendix dated 19th February attached to the Fourth Report, it will be seen that this position has been implicit in all its discussions on procedure.

11. The Fourth Report, however, raised the question afresh. It was the first report on a department and covered matters of a different kind from those discussed in the First, Second and Third Reports. The Committee met on 29th September, 1953, and it was decided to hold to the initial policy of the Committee. That decision was recorded in the minutes of the 14th October, 1953 and it was the quoting of this date that led to suggestions that the Committee was anxious to stifle the freedom of its members.

12. As set out above, the Committee can only deal with the Parliament through the medium of the written report. Any expression of opinion by individual Committee members cannot be the views of the Committee.

PROCEDURE AFTER PRESENTATION OF REPORT

13. In its First Report, the Committee said that it had discussed with the Treasurer, the Right Honourable Sir Arthur Fadden, the arrangements for dealing with the Reports of the Committee, and it was agreed that :-

- (1) the report of the Committee should be tabled by the Chairman and Vice-Chairman in the House of Representatives and the Senate respectively and a motion moved that the report be printed as a Parliamentary Paper,
- (2) the Chairman of the Committee should, thereafter forward a copy of the report to the Treasurer for his consideration with a request that he inform the Chairman of the action taken,
- (3) the replies received from the Treasurer should be included in a later report to the Parliament.

14. The procedure outlined in the preceding paragraph has been followed and the Committee draws attention to the Treasury Minute on the Committee's Second Report which was presented to the Parliament with its Third Report. The Treasury Minutes on the First and Third Reports have been received and will be presented to the Parliament at the first convenient opportunity.

15. The Committee is satisfied that the procedure adopted will amply assure the Parliament that the views of the Committee will not be disregarded.

16. Having regard to the opinions expressed by some Senators and members that the Reports of the Committee should be fully debated, the Committee expresses the opinion that such a course could not result in final conclusions being reached because all the information available to the Committee and upon which it based its conclusions (statements, submissions, departmental files and the minutes of evidence etc.) is not available to members.

17. It is in this context that the utility of the procedure outlined above becomes apparent. As soon as the reports are presented to the Parliament, copies are sent to the Prime Minister, to the Minister and Departments affected, and to the Treasurer.

18. When the replies of the interested parties have been received by the Treasurer, he will, in accordance with the practice already established, inform the Committee which will then publish the replies in a subsequent report. It is at this stage that the Parliament will be in a better position to judge the merits of the Committee's Reports.

COMMENTS DURING SENATE DEBATE

19. In this Report, because of the little time available, the Committee is confining its reply to some of the criticisms made by the Minister of National Development.

(1) Staffing

20. The Minister stated that the table dealing with staffing (paragraph 11) was inaccurate. That table showed the number of persons employed at the time the Committee was making its investigations early in the year, and the latest information obtained from the Public Service Board was as at 30th April, 1953.

21. Unfortunately by error the date appearing in the last column of the table in paragraph 11 purports to show the staff at 30th June, 1953, instead of as at 30th April, 1953.

22. The employment staff sheet as at 30th April, 1953, is attached (Appendix No.1). The total is 621 which is the figure supplied to the Committee, namely, 618, together with an additional 3 part-time female employees not in the information given to the Committee referred to in paragraph 20.

23. The Committee now attaches the return of staff employed as at 30th June, 1953 (Appendix No.2) and it will be seen that the number employed at that date was 648 and not 575 as quoted by the Minister.

24. The figures quoted in paragraph 23 were supplied by the Department of National Development to the Public Service Board on Form P. S. B. 39 (Appendix No. 2).

25. The Committee points out in reference to staff reductions that, in paragraph 47 of the Fourth Report, it states that in 1951 the staff of the Division of Industrial Development was 313 which the Government directed should be reduced to 200. The Committee further mentions the staff at the end of 1951 as 196 and at 30th June, 1952 as 191. The principal reduction did not result from a voluntary effort by the Department but from Government direction. Paragraphs 45 and 46 are, in the opinion of the Committee, justification for its statements.

(2) Oil Drilling Plant

26. The Minister also said that the Report upon the oil drilling plant (paragraphs 33 - 44) showed inaccuracy.

27. It will be sufficient to refer to the history of the Committee's investigation and to the number of statements presented by the Department to rebut the allegations of inaccuracy.

- (i) The Department supplied to the Committee a general statement covering its activities which the Secretary presented at the public meeting held on 19th February, 1953 (Exhibit N.P.2). This Statement included a short account of the oil drilling plant (Appendix No.3).
- (ii) The Secretary of the Department was, at a meeting on the 19th May, 1953, questioned by the Committee about the oil drilling plant (see extract from Transcript of Evidence in Appendix No.4).

- (iii) The transcript of the evidence taken during that interrogation was sent, as usual, to the Secretary of the Department of National Development for checking.
- (iv) A statement on the oil drilling plant was prepared by the Committee on the evidence obtained to that date and sent to the Department for checking.
- (v) The Secretary of the Department replied that his evidence had been "misunderstood" (see letter dated 12th June, 1953, a copy of which is attached as Appendix No.5) and submitted a further statement.
- (vi) Because the Committee was anxious to clarify its mind, it asked Dr. Raggatt to make the Department's files available for the Committee's inspection.
- (vii) Instead of the files, the Department merely supplied copies of some of the papers dealing with the modernising of the oil drilling plant.
- (viii) The Committee therefore renewed its request to be supplied with the relevant files.
- (ix) At the same time, it asked the Treasury to give to the Committee its record of the various applications for funds made by the Department of National Development.
- (x) The Treasury statement is included in the Committee's Fourth Report (para. 41), but the files supplied by the Department were still incomplete and did not disclose all the figures needed by the Committee.
- (xi) The Committee invited Dr. Raggatt to give further evidence at a meeting on 9th July, 1953.
- (xii) At that public hearing, Dr. Raggatt asked to be allowed to substitute his new statement for that originally supplied.
- (xiii) At this hearing he agreed to send the Committee a further explanation of the position and this was duly received, dated 30th July, 1953.
- (xiv) After the Committee's Report on the Department was presented to the Parliament, Dr. Raggatt wrote to the Committee criticising the sections dealing with enquiries for the oil drilling plant (see extract from letter dated 2nd October, 1953 set out in Appendix No 6)

(xv) On 12th October, 1953, Dr. Raggatt again wrote to the Committee agreeing that the Committee's inferences were admissible (see Appendix No. 7)

28. In referring to the purchase of the deep well oil plant, the Minister said :

"I am informed that the very paper which contained that information, and my decision, was submitted as evidence to the Public Accounts Committee. It is not a very pleasant situation when a responsible department is accused by a parliamentary committee of misleading its Minister although the committee had before it facts which show that no such thing occurred."

The paper submitted to the Committee did not contain the statement of costs mentioned by the Minister on the basis suggested by the Committee. It was because the Committee wanted such a statement of the estimated cost of the deep well oil plant that it finally asked the Treasury for that information and it is published in paragraph 43 of the Fourth Report.

29. In this matter, the Committee has been influenced by two different factors.

30. In the first place, the evidence presented from time to time by the Secretary, and which is covered by paragraph 27, created in the minds of the Committee an atmosphere of vacillation by the Department.

31. And in the second place, while the statement referred to by the Minister does seek to set out the various steps and includes reference to decisions by the Ministers from time to time, it does not indicate clearly that the procedure suggested in paragraph 44 of the Fourth Report was in fact adhered to.

32. It is felt that, throughout the discussions with the Department on this matter and having regard to the use of terms "modernising" and "purchase of new plant", the position has not been completely clear and free from misunderstandings and misinterpretations.

33. The Committee was aware that Dr. Raggatt was dealing with matters some of which had happened before his appointment as Permanent Head of the reconstructed Department of National Development, but, nevertheless, it was disturbed at the difficulty experienced in getting a clear and conclusive statement of the position.

34. Based on the evidence submitted to it, the Committee is of the opinion that its comments in the Report relating to this matter were justified.

(3) Cost of the Department

35. The Minister claimed that the Committee had misinterpreted the nature of the expenditure of the Department.

36. The Committee examined the accounts of the Department and, in paragraphs 3, 4, 15, 16 and 17 of the Report, shows the expenditure and the background against which that expenditure should be considered.

37. The money spent by the various sections of the Department was considered and the sectional activities including "exploring, surveying and testing the nature, quality and extent of such natural resources as coal, oil or uranium" were referred to in the Report at paragraph 16. The expenditure of the Department as shown in paragraph 3 of the Report increased from £771,042 in 1950/51 to an estimated £1,256,000 in 1952/53. There is no discrepancy between these figures and those of the Minister, and there was no misinterpretation.

38. The figures of actual expenditure quoted by the Minister for 1952/53 of £1,197,196 were not then available to the Committee. The Committee now points out that the Budget Papers for 1953/54 at page 75 show the actual expenditure for 1952/53 was £1,208,078 and not £1,197,196 as stated by the Minister. These figures do not include sums voted for Capital Works and services for the Snowy Mountains Hydro-electric Authority, the Joint Coal Board and other activities.

39. The Department did not in the first place submit full details of expenditure but compiled them at the request of the Committee. The Committee was therefore well aware of the costs of the Department's activities and, indeed, quoted the increase in the costs of coal exploration in paragraph 26 of its Report.

40. The Committee draws attention to its comment in paragraph 16 that the amount of our public revenue that should be set aside for "development" is a question upon which there is little likelihood of agreement.

(4) Departmental Publications.

41. The Minister also criticized the conclusion of the Committee in paragraph 68 of its Report which states that the quarterly review entitled "National Development" "is a very elaborate and costly production".

42. This comment is obviously not related merely to the cost of printing but also to the type of production, the salary component of the departmental officers engaged in its preparation, other departmental expenses, including general overhead costs.

43. This publication is produced on quality art paper with articles extensively illustrated.

44. Evidence presented to the Committee shows that no costing system is in operation and therefore the precise total cost is not ascertainable. It is also evident that no attempt has been made to give a reasonable estimate of the full cost of the publication. The evidence, however, does disclose that a geologist and a geophysicist are employed on technical editing of this publication and on general press releases.

45. This indicates a substantial salary component and, with even reasonably conservative estimates for other items of expenditure, the Committee is of the opinion, after taking all factors into consideration, that "National Development" is a very elaborate and costly publication.

On behalf of the Committee

J. A. Bland,
Chairman.

Neil R. Coffin
Neil R. Coffin,
Parliament House,
CANBERRA, A. C. T.
20th October, 1953.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

APPENDIX NO. 1 : COPY OF EMPLOYMENT SHEET (FORM P.S.B.39) FOR-
WARDED BY THE DEPARTMENT OF NATIONAL DEVELOPMENT TO THE PUBLIC
SERVICE BOARD BY MEMORANDUM DATED 8TH MAY, 1953. (REFERENCE
S12/53/4).

DEPARTMENT...National Development...Form P.S.B.39.
 Central Office, Branch or Agency...Combined Total...State...
 Staff employed as at...30/4/53.....

PART I, STAFF EMPLOYED UNDER PUBLIC SERVICE ACT.	Number		Total	Variation in Month.
	Male	Female		
Section A.-Full-time-				
1. Staff (excluding staff under item 2 to 7)-				
(a) Permanent	235	53	288	-2
(b) Temporary	157	64	221	+16
(c) Exempt	34	3	37	+2
Total	426	120	546	+16
2. Seasonal staff -				
(a) Temporary	3	-	3	-5
(b) Exempt	-	-	-	-
Total	3	-	3	-5
TOTAL-Section A	429	120	549	+11
Section B.-Absent 12 weeks or more on leave or training -				
3. Civil leave -				
(a) Permanent	4	-	4	+1
(b) Temporary	-	-	-	Nil
(c) Exempt	-	-	-	-
Total	4	-	4	+1
4. Leave in Defence Forces -				
(a) Permanent	1	-	1	+1
(b) Temporary	-	-	-	-
(c) Exempt	-	-	-	-
Total	1	-	1	+1
5. Official full-time training course	4	-	4	-4
TOTAL-Section B	9	-	9	-2
Section C.-Part-time -				
6. Cleaners (part-time)				
7. Other part-time	-	3	3	Nil
TOTAL-Section C	-	3	3	Nil
PART II.-STAFF EMPLOYED OUTSIDE PUBLIC SERVICE ACT. (Indicate Act authorizing employment).				
8. Full-time (excluding staff in 9 and 10)	57	2	59	+23
9. Part-time	1	-	1	Nil
10. Leave or training over three months				
TOTAL-PartII	58	2	60	+23

Reason for variationFor reason for variations see individual.....

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

APPENDIX NO. 2 : COPY OF EMPLOYMENT SHEET (FORM P.S.B.39) FORWARDED BY THE DEPARTMENT OF NATIONAL DEVELOPMENT TO THE PUBLIC SERVICE BOARD BY MEMORANDUM DATED 8TH JULY, 1953. (REFERENCE S12/53/6).

DEPARTMENT...National Development.... Form P.S.B.39.
 Central Office, Branch or Agency..Combined Total... State.....
 Staff employed as at...30/6/53....

	Number.			Variation during Month.
	Males.	Females.	Total	
PART I.- STAFF EMPLOYED UNDER PUBLIC SERVICE ACT.				
Section A.- Full-time -				
1. Staff (excluding staff under items 2 to 7) -				
(a) Permanent	240	53	293	+1
(b) Temporary	159	66	225	+2
(c) Exempt	39	5	44	+1
Total	438	124	562	+4
2. Seasonal staff -				
(a) Temporary	-	-	-	-3
(b) Exempt				
Total		Nil		-3
TOTAL- Section A	438	124	562	+1
Section B.- Absent 12 weeks or more on leave or training -				
3. Civil leave -				
(a) Permanent	4	-	4	Nil
(b) Temporary	1	-	1	Nil
(c) Exempt				
Total	5	-	5	Nil
4. Leave in Defence Forces -				
(a) Permanent	1	-	1	Nil
(b) Temporary				
(c) Exempt				
Total	1	-	1	Nil
5. Official full-time training course	1	-	1	Nil
TOTAL- Section B	7	-	7	Nil
Section C.- Part-time -				
6. Cleaners (part-time)				
7. Other part-time	-	2	2	Nil
TOTAL- Section C	-	2	2	Nil
PART II.- STAFF EMPLOYED OUTSIDE PUBLIC SERVICE ACT.				
(Indicate Act authorizing employment).				
8. Full-time (excluding staff in 9 and 10)	74	2	76	+6
9. Part-time	1	-	1	Nil
10. Leave or training over three months	-	-	-	-
TOTAL- Part II	75	2	77	+6

Reasons for variation...For reasons for variations see individual.....

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

APPENDIX NO. 3 : EXTRACT FROM EXHIBIT N. D. 2 PRESENTED TO THE
COMMITTEE BY THE DEPARTMENT OF NATIONAL DEVELOPMENT

Purchase of Deep-Well Plant. Purchase of a complete modern deep-well plant was proceeded with. Most of the major components were ordered prior to 30th June, 1951, but arrived in Melbourne after that date, were inspected and placed in store. Purchase of the ancillary equipment was arranged. Quotes were called locally and overseas and items were ordered overseas as funds became available; the necessity to explore sterling markets before incurring dollar expenditure made this a lengthy process.

Estimation of Costs. Because of slow delivery and increasing costs of all equipment, a full revision of the estimated cost of drilling a deep test well was necessary. Detailed and comprehensive estimates were prepared. This entailed a re-checking of all costs of plant, shipping, transport and wharfage charges and also interstate visits by the Chief Petroleum Technologist and the Drilling Superintendent.

Deep Drilling, Nerrima Dome, Kimberley Division, W.A. No drilling was carried out on this project. Arrangements were in progress to continue the hole with funds from the Commonwealth, Western Australia and the Freney Kimberley Oil Company (1932) N.L. It was eventually decided that because of difficulties, it would be preferable to put down a new hole. Pending completion of the deep-well plant, geophysical surveys were started to determine if the dome persisted in depth.

As described under the work of the Geophysical Section, the results proved that there were many faults at depth and that the simple dome structure did not persist to depth.

In preparation for the proposed drilling, the following matters were attended to :

- (1) Visiting the Nerrima area and inspecting Freney Kimberley Company's existing camp, transport, tools and equipment to determine the extent to which these must be augmented to accommodate essential personnel and service a modern deep-drilling plant.
- (2) Inspecting the Liveringa-Nerrima road in company with a road engineer to determine the work necessary to ensure safe transportation of heavy units of drilling plant and maintenance of supplies during the drilling period.
- (3) Ascertaining which items of drilling plant cannot be carried below hatches on the coastal run.
- (4) Determining the monthly requirements of drilling materials, and designing suitable storage for five months' supply to ensure continuous drilling during the wet season when flood conditions make roads impassable by heavy vehicles.

- (5) Revising the cost estimate for drilling to a depth of 10,000 feet in the Kimberley District.
 - (6) In addition to the foregoing, it was necessary for the Commonwealth to place remaining orders for drilling equipment and materials as rapidly as possible in the light of the dollar allocation and to keep a constant check on suppliers to ensure that delivery schedules were maintained.
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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

APPENDIX NO. 4; EXTRACT FROM TRANSCRIPT OF EVIDENCE OF 19TH
MAY, OF PUBLIC HEARING OF DEPARTMENT OF NATIONAL DEVELOPMENT.

THE CHAIRMAN.- We should like to discuss now the deep well question.

MR. HULME.- You have a statement on the subject on page 25 of your submission. Would you elaborate on that before I proceed with detailed questions?

DR. RAGGATT.- The deep well work arose from a Cabinet decision (the date of which I can give you) under which the interest and attitude of the Australian Government towards the search for oil in Australia and New Guinea was entirely reviewed. Before that decision was made, governments of different political persuasion had maintained the policy of advances to companies that were prepared to engage in oil exploration. That policy was followed for quite a long time and it was obvious that it was not producing any useful results. The search for oil is highly technical and the small companies that were getting the advances were not adequately staffed, in a geological sense, and did not have adequate knowledge of techniques to make efficient use of the money. A decision was reached that from then on, the Commonwealth's policy with regard to the search for oil would follow the practice of the U.S.A. and Canada. The geological and geophysical staffs in the Bureau of Mineral Resources would be increased to a point where it could undertake systematic examination of the areas in Australia which were considered to have some oil potential. As a result of a visit that the present Deputy Director and myself made to the U.S.A. in 1945, we had come to the conclusion that some areas of Western Australia were very similar to areas in some of the western States of U.S.A. - Wyoming and Montana - where oil had been developed in recent years after a search had been abandoned there many years ago. Accordingly it was agreed between the Prime Minister and the Premier of Western Australia that, in co-operation with the Western Australian geological survey organisation, we would undertake a systematic survey of two large areas in the north west part of Western Australia and the Kimberley division.

DR. RAGGATT.- As a carry-over from the old policy the Government had been committed to provide financial assistance to two companies - one in Papua, the Papua Apinine Company, which has since gone out of business, and in Western Australia, the Freney Kimberley Oil Co., which had carried out a search under difficulties in the Kimberley area for a number of years. As our work developed in Western Australia we tried to interest some of the larger oil companies. We endeavoured to persuade two of them to take up concessions from the Western Australian Government and to undertake deep drilling. We were not successful in that, because they had large commitments in other places where they considered the prospects were better. That is a fair enough approach for a company to this matter, but the position had been reached where the Freney Kimberley Company held concessions. It was considered desirable to go into a three party arrangement with the Freney company, the Western Australian Government, and the Commonwealth. In view of our non-success in getting the larger companies interested we could not consider putting down a deep test in the Kimberley area. With that as a background, the present Australian Government decided that it would purchase the deep well drilling plant. We were successful in getting companies interested in the north-west area and that led to the formation of the Western Australian Petroleum Company, which is a combination of Caltex Oil (Australia) Proprietary Limited and Australian Motorists Petroleum Company Limited, and they were quite prepared to undertake their own drilling. Unfortunately at the time they made that decision it seemed certain - as Senator Seward would know - that we would go on with the use of our own plant in the deep test in the Kimberley area. Had that not been so the deep well plant would have been sold or hired to the Caltex company for the tests that they are now commencing in the other area; as it looked as though the plant was committed, that did not happen and the Caltex company imported their own deep well plant to drill in

the north-west area. We had done some geophysical work in the north-west basin and proved to the company that the conditions were as they had appeared to be, and the company, on that basis, deferred the drilling and carried out geophysical work at its own expense, which confirmed our results. At the same time our results caused us to review the prospects in the Kimberley area. We had the same misgivings about that area, namely, that what appeared to be very nice suitable geological structures at the surface were not so at depth. We are now in the position where we do not think that Nerrima, which was chosen for tests, would be a good place to drill a hole, and the plans for the deep well equipment are now suspended.

MR. HULME.- What has happened in relation to the deep well equipment?

DR. RAGGATT.- It has never been used.

MR. HULME.- What was the original estimate of cost?

DR. RAGGATT.- About £270,000?

MR. HULME.- Is it complete?

DR. RAGGATT.- Yes, it is ready to go, if we can find somewhere to go to.

MR. HULME.- Was that the real cost?

DR. RAGGATT.- The latest figure of real cost is £319,943.

MR. HULME.- Has, roughly, £90,000 been spent since the end of January?

DR. RAGGATT.- Approval was given for an expenditure of £320,000. For all practical purposes, the plant is now complete. Of course this is a major piece of engineering, designed to drill a hole to 10,000 feet. It is still in store in Melbourne.

MR. HULME.- Are there any immediate plans for using it?

DR. RAGGATT.- No.

MR. HULME.- Are storage charges involved?

DR. RAGGATT.- No, it is in a Commonwealth store, which we share with another department - I think the Department of Defence Production.

MR. HULME.- Does it occupy much space?

DR. RAGGATT.- Yes, it has a tower 170 feet high. It is a prefabricated steel tower, and there is a diesel engine.

MR. HULME.- Is any expenditure incurred for maintenance?

DR. RAGGATT.- There is no deterioration, but the plant could become obsolete in time.

MR. HULME.- Do you expect that it will be used during the next two or three years?

DR. RAGGATT.- Yes.

MR. THOMPSON.- Has the company a sole right in the Kimberley area, or can you go in there?

DR. RAGGATT.- It does not stop us, but it stops other companies. We go in under the cloak of the Western Australian Government.

SENATOR SEWARD.- Reverting to the plant, for a moment, is precaution taken against pilfering?

DR. RAGGATT.- Yes. I imagine that the Auditor-General would have something to say if adequate precautions were not taken.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

APPENDIX NO. 5 : COPY OF LETTER DATED 12th JUNE, 1953 FROM
THE SECRETARY OF THE DEPARTMENT OF NATIONAL DEVELOPMENT
TO THE COMMITTEE

Bureau of Mineral Resources - Deep Well
Drilling Plant

It is apparent from your note and the comments in the press that my statements concerning this plant have been misunderstood. I have, therefore considered it advisable to prepare a detailed statement, which perhaps you would be good enough to place before the Committee.

2. The principal points of misunderstanding are :-

- (a) The plant was purchased as a matter of general policy and not specifically for drilling in the Kimberleys.
- (b) My comment that we had no site for testing immediately in view has been taken too literally and is of minor importance in view of (a).

(Sgd)

(H. G. RAGGATT)
Secretary

DEEP WELL DRILLING PLANT

The Petroleum Oil Search Act (No. 25 of 1936) appropriated £250,000 in a Trust Fund and the Minister set up a Petroleum Advisory Committee.

2. This Committee reviewed progress in petroleum exploration, decided that the lack of success was largely due to inadequate and outmoded drilling equipment, and recommended purchase of drilling plant by the Government for hire to companies searching for oil.

3. An amending Act (No. 89 of 1936) was passed and the Minister authorised purchase of three rotary oil-boring plants. Unfortunately, the Advisory Committee did not include anyone experienced in drilling engineering, and relied on advice given by a drilling superintendent of limited experience and capacity.

4. Two second-hand plants were purchased in the U.S.A. and one in Queensland from Roma Oil Corporation. The Queensland plant, imported new in 1927, was the best of the three.

5. The three plants were hired out to -

- (a) Papuan Apinaipi Petroleum Company at Oiapu, Papua;
- (b) Freney Kimberley Oil Company at Nerrima, Western Australia; and
- (c) Oil Search Limited at Hutton's Creek, Queensland.

6. The Papuan Apinaipi and Freney Kimberley areas were closed for security reasons in 1942 and Oil Search Limited had completed its programme in 1940.

7. During the war years oil-boring operations were confined to Nelson, Victoria, where the sedimentary basin proved deeper than had been expected, and the scout boring plant originally used was replaced at 4,221 feet by the heavier plant, previously hired to Oil Search Limited, and boring continued to a depth of 6,731 feet by January, 1945.

8. In February, 1945, Cabinet affirmed a new policy on searching for oil, including -

- (a) to consider undertaking drilling operations;
- (b) to appoint a qualified petroleum technologist.

9. Geological evidence in February, 1945, in general pointed toward medium depth rather than deep drilling in search for oil in Australia and the Territories. Target depths for the Nerrima and Upoia bores were 6,000 feet.

10. In November, 1945, boring was suspended at 7,305 feet at Nelson as the main components of the Commonwealth Drilling plant in use were unsafe for deeper drilling; this was the best of the three plants purchased in 1938.

11. The geological picture changed from 1947 onward; the Kariava bore was completed at 12,621 feet in April, 1948 and a depth target of 10,000 feet was assigned in February, 1949 to a proposed bore at Lesi on a permit held by Papuan Apinaiipi Petroleum Company.
12. Plans were made to replace the main components of one Commonwealth plant by modern heavy duty machinery, purchasable in the U.S.A., and a submission to the Minister for Supply and Development dated 7/7/49 was approved on 12/7/49. Delays ensued over the issue of an import licence, and in the meantime Oil Well Engineering Company of England commenced manufacturing heavy duty drilling plant under licence.
13. The Bureau revised its plans, drawing on the U.K. for all available plant and resorting to the U.S.A. only for specialised lines unprocurable in Great Britain.
14. A new submission embodying the changes was made to the Minister for National Development (the Hon. R.G. Casey) on 9/6/50 and approved by him on 10/7/50.
15. Initial indents were placed in late 1950 with long delivery. Difficulty ensued in obtaining quotations for ancillary equipment and placing of remaining indents was a slow business. An attempt was made to have the complete plant available in 1952 but owing to the cancellation of import licences in March 1952, followed by the U.S.A. steel strike, some essential items were held up and are only now arriving; e.g. 51/2" drill pipe is on the "Pioneer Star" due to arrive at Melbourne in June, 1953.
16. The original intention to utilise in the deep well outfit, ancillary equipment purchased with the original Commonwealth plants had to be scrapped when suppliers declared the equipment obsolete and ceased making spare parts for it.
17. When the original plan to purchase was prepared in early 1949, no particular area was considered for initial drilling. The depth target for Nerrima was 6,000 feet and it was expected that that bore could be completed with the plant already on the site. The North-West Basin was being investigated by Bureau geologists.
18. In May, 1949, the Bureau found evidence increasing the depth of sediments in the North-West Basin to 17,000 - 200,000 feet, making that area highly promising if suitable structures existed.
19. In September, 1950, Dr. Schnoeberger (Supervising Petroleum Geologist of B.M.R.), visited Fitzroy River area and revised the Nerrima target depth to 10,000 feet.
20. In November, 1950, senior officers of B.M.R. conferred in Perth with the Department of Mines and Freney Kimberley Oil Company officials and decided that the Commonwealth's new deep well drilling plant should be used on a replacement bore at Nerrima. This was the first time that the new plant was definitely linked with any area.
21. A recommendation was duly made to the Minister covering the drilling of a replacement bore at Nerrima under a triplicate agreement embracing the Commonwealth, State Government and Freney Kimberley Oil Company. The proposition was put to the Treasury by the Minister on 2/4/51 and Treasury's agreement in principle was given on 24/7/51.

22. The main conditions stipulated by the Commonwealth were then conveyed to the State Premier and the Company, whose agreement was obtained on 12/9/51. The Minister's letter of 16/8/51 stated that the Commonwealth's new deep drilling plant would be available for the project, but that it was unlikely all essential items would arrive before late 1952.

23. A second conference was held in Perth on 17/10/51 to clear up details of the tripartite arrangement.

24. Geophysical surveys in another part of Western Australia had shown by September, 1951, that surface geological features could not always be relied upon to indicate structural conditions at depth. The decision to drill at Nerrima had been made in the light of geological information only, and it was considered advisable to check the Nerrima structure thoroughly by geophysical surveys before undertaking costly test drilling.

25. Pending the carrying out of geophysical surveys, detailed planning went ahead and efforts were made to expedite the arrival of drilling plant as stated in paragraph 15 above.

26. Compilation of a detailed estimate then disclosed that the original cost figures for the project were too low. As the total cost of the bore was now expected to be about £450,000, Treasury on 25/6/52 asked that the whole question of Commonwealth participation (involving a Commonwealth commitment of £150,000) be submitted to Cabinet.

27. However, while a draft agreement was being prepared the Minister met the Premier of Western Australia informally at Canberra on 12/7/52 and was informed by the Premier that his State would not be able to find its £150,000 share under the tripartite arrangement, and that he thought the Company was unlikely to be able to raise its share.

28. During the period November, 1950 to July 1952, enquiries were made by West Australian Petroleum whether the Commonwealth's deep drilling plant was available. This company was told of the tentative commitment to use the plant at Nerrima and as they had to make their plans well in advance of selection of a drilling site they were obliged to import a plant from the United States.

29. Results of the geophysical surveys referred to in paragraph 25 suggested that Nerrima was not a satisfactory site for a deep test. Drilling of the site would provide valuable geological information but it was thought this objective alone was not sufficient reason for proceeding, and that drilling should be deferred until the best site could be selected. This will be possible at the end of the current field season.

30. Although the initial order for drilling plant was placed three years ago and part shipments commenced to arrive in Australia in October, 1951, the entire plant has not yet arrived. It is, however, now almost complete. If the Nerrima site had been approved, drilling would not yet have commenced. It follows that the drilling plant has not been idle. Much of the delay has resulted from continuously heavy foreign demand for oil drilling equipment but some of it can be attributed to local difficulties in processing orders and securing import licences, due to the necessarily arbitrary methods followed in determining dollar allocations.

31. The plant was originally estimated to cost £270,000 and the final cost is expected to be about £320,000. To drill a hole 10,000 feet deep in the north-west region would cost about £500,000. The Committee has been informed that it is being maintained in good condition and can be regarded as a modern fully operable unit. However, as oil field equipment is being continually improved it will become slowly obsolescent.

(Sgd)
H.G. Raggatt
Secretary

Department of National Development,
CANBERRA,

12th June, 1953.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

APPENDIX NO. 6: EXTRACT FROM LETTER DATED 2ND OCTOBER, 1953, FROM THE SECRETARY OF THE DEPARTMENT OF NATIONAL DEVELOPMENT TO THE COMMITTEE.

The Committee's report makes what I regard as a very serious accusation, namely, that the Department was left with the deep-well oil plant on its hands "when it might have been relieved of it by the West Australian Petroleum Company." This conclusion appears to be based on statements made in paragraph 38 and paragraph 77. In paragraph 38 it is stated that "between November 1950 and July 1952 the West Australian Petroleum Company enquired of the Department whether its new plant will be available." In paragraph 77 of the report this statement becomes "West Australian Petroleum Company.....repeatedly enquired about the plant during 1950-1952 before it decided to buy its own drilling plant."

The clear inference to be drawn from these two statements (if they were correct) is, that over a considerable period enquiries were received by the Department for the loan of its drilling plant but that these requests were stubbornly refused because the Department had some plan of its own, or worse still, because it wanted to have a useful piece of equipment in case it was needed. However, the fact is that only one request was ever received from West Australian Petroleum Company concerning the Commonwealth plant and this was made orally at a time when the Commonwealth and State Governments were in correspondence concerning a proposal to drill at Nerrima. The Company was told that if those arrangements fell through the plant would be available for them, but, as delivery times for drilling plant at that time were uncertain, the Company decided that it should order its own plant.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

APPENDIX NO. 9: EXTRACT FROM LETTER DATED 12TH OCTOBER, 1953,
FROM THE SECRETARY OF THE DEPARTMENT OF NATIONAL DEVELOPMENT
TO THE COMMITTEE.

Since writing to Professor Bland on the Committee's report on this Department I have made a close study of the transcript of evidence and statements presented to the Committee. As a result I see how the Committee was led to believe that West Australian Petroleum or some other company associated with it made more than one enquiry concerning the availability of the Commonwealth's deep well plant.

The statement I made in evidence was--

"Unfortunately, at the time they made that decision it seemed certain that we would go on with the use of our own plant in the deep test in the Kimberley area. Had that not been so the deep-well plant would have been sold or hired to the Caltex company for the tests that they are now commencing in the other area."
(Actually it was Ampol which enquired).

The enquiry by Ampol was made orally and I could not place the time with any accuracy. Consequently in a written statement prepared for the Committee this paragraph appears--

"During the period November 1950 to July 1952, enquiries were made by West Australian Petroleum whether the Commonwealth's deep drilling plant was available. This company was told of the tentative commitment to use the plant at Nerrima and as they had to make their plans well in advance of selection of a drilling site they were obliged to import a plant from the United States."

This statement is open to misunderstanding. It was in fact so misunderstood in our office. When the Committee asked for the "papers covering the enquiries made by West Australian Petroleum" a memorandum was sent to the Secretary of the Committee which contained the following paragraph--

"(b) No papers are available in response to this request. The position is that executives of the Company enquired orally and were told of the position from time to time; hence they made no written application."

This memorandum was written when I was out of Canberra and I do not recall it being discussed with the Committee. The fact nevertheless is that only one enquiry was made for the plant. The Department would have been only too willing to hire it to W.A. Petroleum Ltd. or any other adequately equipped company. It so happened that this one enquiry was received when the Commonwealth and State Governments were in correspondence concerning the proposal to drill at Nerrima.