

1954.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

TWELFTH REPORT.

POSTMASTER-GENERAL'S DEPARTMENT.

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Mr. President

Joint P^o of Public Accounts
On behalf of the Committee, I bring up
the Twelfth Report, on the Postmaster-
General's Department.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Appointed 25th September, 1952.)

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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 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.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

TWELFTH REPORT.

POSTMASTER-GENERAL'S DEPARTMENT.

INTRODUCTION.

1. The Committee decided to examine the accounts of the Postmaster-General's Department and, for this purpose, obtained a number of statements from the Department, the Auditor-General and others as set out in Appendix No. 1.

2. Meetings were held in Canberra on 18th and 19th September, 1953, and 17th and 19th October, 1953, when witnesses were examined, and observations obtained from various persons. The Committee also met *in-camera* on 19th-22nd February, 1954.

PART I.

(i) BRIEF HISTORY OF THE DEPARTMENT.

3. Prior to Federation each of the six Australian States maintained its own postal, telegraph and telephone services.

4. The Commonwealth of Australia Constitution Act, which came into operation on 1st January, 1901, transferred to the new Federal Government certain specified powers among which were "postal, telegraphic, telephonic and other like services". The *Post and Telegraph Act 1901* provided for the six separate State Administrations to be combined as one Federal Department. The new Department took over from the States nearly 10,000 permanent officers and more than 6,000 post offices of various types, together with telegraph and telephone lines and equipment. The Department has developed steadily, and since the end of the Second World War has expanded at a rapid rate. The establishment of the Department at 30th June, 1953, was 73,394 and the actual staff employed was 72,280. Cash expenditure in 1953-54 on ordinary account is estimated at £73,000,000 and capital expenditure £38,000,000.

(ii) PREVIOUS INQUIRIES INTO THE AFFAIRS OF THE POSTMASTER-GENERAL'S DEPARTMENT.

5. The Committee reminds the Parliament that there have been inquiries into the organization and administration of the Postmaster-General's Department, other than on a departmental level, as mentioned hereunder.

Royal Commission on Postal Services 1908-10.

6. A commission of seven members was appointed on 22nd June, 1908, to inquire into and report upon—

The Postal, Telegraphic and Telephonic Services of the Commonwealth and more particularly in relation to the following matters:—

- (1) Management,
- (2) Finance,
- (3) Organization, including discipline,
- (4) Extensions in country districts, and particularly in remote or sparsely populated parts of the Commonwealth,
- (5) Complaints in relation to the services.

The Commission prepared a lengthy report, dated 30th September, 1910, and it was presented to the Parliament on 6th October, 1910. Its recommendations on Finance are set out in Appendix No. 2.

Report on the Business Management of the Postmaster-General's Department by Mr. Robert McC. Anderson 1915.

7. Mr. (later Sir) Robert McC. Anderson reported to the Postmaster-General on 24th July, 1915, and in his Report presented to the Parliament on 25th August, 1915, dealt with the need for a business outlook and business methods in the management of the Post Office.

Report of the Royal Commission on Economics 1919-21.

8. At the end of the First World War, three commissioners were appointed to consider and report upon public expenditure of the Commonwealth with a view to effecting economies. The Commissioners prepared a progress Report which was presented to the Parliament on 17th October, 1919, and a Final Report which was presented to the Parliament on 6th April, 1921. In these Reports, the Commissioners dealt with their examination of some of the features of the Postmaster-General's Department.

9. The Committee studied the views expressed in these Reports.

(iii) FUNCTIONS OF THE DEPARTMENT.

10. In the Administrative Arrangements Order dated 21st June, 1951, the matters dealt with by the Postmaster-General are set out as follows:—

Matters dealt with by the Department.	Acts Administered by the Minister.
Broadcasting Postal and Telecommunication Services	<i>Broadcasting Act 1942-1950</i> <i>Commercial Broadcasting Stations Licence Fees Act 1943</i> <i>Overseas Telecommunications Act 1946</i> <i>Parliamentary Proceedings Broadcasting Act 1946</i> <i>Post and Telegraph Act 1901-1950</i> <i>Post and Telegraph Rates Act 1902-1950</i> <i>Post and Telegraph Rates (Defence Forces) Act 1939-1940</i> <i>Wireless Telegraphy Act 1905-1950</i>

In discussion of these functions, the Department stated^(a) that it—

provides and maintains facilities in all settled areas for the collection and distribution of inland and overseas mails, the transmission of money and the operation of the telephone and telegraph services. It establishes and maintains the technical facilities for the National Broadcasting Service and licenses and supervises the installation and operation of radio services. It also collects the fees for broadcast listeners' licences and pays this money into Consolidated Revenue.

Certain work for other Departments and the Commonwealth Bank has come to be regarded as an integral part of the Post Office operations.

(a) Document 1, Postmaster-General's Department.

11. Notwithstanding the specific reference to the *Overseas Telecommunications Act 1946* in the Administrative Arrangements Order as an act administered by the Postmaster-General and responsibility for the "Telecommunication Services" as a matter dealt with by the Department, the Department does not accept responsibility for the activities of the Overseas Telecommunications Commission which is a statutory body established by Act of the Parliament.^(a)

12. Also, notwithstanding the similar references to the *Broadcasting Act 1942-1950* and "Broadcasting", the Department's responsibility for "Broadcasting" is limited to providing technical services for the Australian Broadcasting Commission and commercial broadcasting stations. When the Committee drew attention to the heading: "Under the control of the Postmaster-General's Department" placed over the estimates of the Australian Broadcasting Control Board and the Australian Broadcasting Commission (see Estimates 1953-54, pages 124-5), the Department declared that this heading did not describe the position correctly; it had no control over these two bodies, any more than it had over the Overseas Telecommunications Commission.

13. The Department agreed that the statement of functions could be made more explicit and the Committee trusts that this will be done, as a part of the review of the Administrative Arrangements Order mentioned in the Treasury Minute^(b) on the Third Report of the Committee.

(iv) CASH RECEIPTS AND EXPENDITURE OF THE DEPARTMENT.

14. The cash receipts and expenditure of the Department in 1939-40, 1940-41, 1952-53 and estimated for 1953-54 are—

(A) ORDINARY ACCOUNT.

	1939-40.		1940-41.		1952-53.		Estimate 1953-54.	
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Cash Expenditure ..	15.3	15.0	99.9	78.1				
Cash Receipts ..	17.0	19.1	64.4	67.0				
Net Cash Surplus or Deficiency ..	Cr. 2.0	Cr. 3.2	Dr. 5.5	Dr. 6.1				

(B) CAPITAL ACCOUNT.

	1939-40.		1940-41.		1952-53.		Estimate 1953-54.	
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Net Cash Expenditure Dr. to Post Office Stores and Transport Trust Account ..	3.2	3.2	28.3	28.3				28.9
Gross Cash Expenditure ..	3.2	3.2	28.3	28.4				1.5

Further details of the expenditure on Ordinary Account are set out in Appendix No. 3.

15. The Committee noted that in paragraphs 116-8 of its Annual Report for 1952-53 concerning the Department, the Auditor-General had commented on the Department's Stores Accounting, its Balance-sheet

(a) *Overseas Telecommunications Act 1946-1952*. Note that the *Federal Office (Account, 1953)* places the Overseas Telecommunications Commission, the Australian Broadcasting Control Board, and the Australian Broadcasting Commission under the Postmaster-General's Department. For a short discussion of the status of the Statutory Corporation in Australia, see the Twentieth Report of the Joint Committee of Public Accounts on the Joint Coal Board's Plant and Equipment.

(b) Attached to Ninth Report of the Committee.

and Profit and Loss Account, and the Post Office Stores and Transport Trust Account. In accordance with its usual practice, the Committee selected these and certain other features of the Department's accounts for examination and the Committee's views will be found in later paragraphs of this Report.

PART II.

SCOPE OF THIS INQUIRY.

16. The Postmaster-General's Department is a large and complex department and inevitably has to undertake an immense amount of detailed work. The Committee made no attempt to examine all its activities. It is believed that a guide to the general policy of the Department can be found in the nature of the commercial accounts kept by it. Having established the significance of these accounts, the Committee decided to centre its examination of the Department on the entries in those accounts. It has been found that this examination has covered the major features of the finances of the Department. There are, of course, a number of other matters which have not been touched upon in this examination, but which can be the subject of subsequent examination should that be thought desirable.

17. A copy of the Commercial Accounts for 1951-52 which the Committee examined are attached as Appendix No. 4.

18. The Committee's inquiry was confined to the accounts for the years up to 30th June, 1953, and its report must be read as dealing with the position as disclosed to the Committee on 16th October, 1953. The accounts for the year 1952-53 and the Annual Report for that year were not available to the Committee when it was conducting its examination.

19. The inquiry covered the following matters:—

Part of Report.	Subject-matter.
III.	Organization and Status of the Department and Importance of the Commercial Accounts
IV.	Form of the Commercial Accounts
V.	Scrutiny of the Commercial Accounts
VI.	Changes for General Administration, Depreciation, Superannuation, Interest and Exchange, Insurance and Food Catereries
VII.	Comparison of Revenue and Expenditure of State Branches
VIII.	Telephone Branch Accounts
IX.	Postal Branch Accounts
X.	Assets and Liabilities of the Department
XI.	Summary of Conclusions
XII.	

PART III.

(i) ORGANIZATION OF THE DEPARTMENT.

20. The features of the organization, as described by the Department, include a ministerial head responsible to the Parliament for its activities, together with a permanent head, the Director-General, who is a permanent public servant responsible to the Minister for the management of the Department and the day-to-day performance of its functions.

21. There is a Central Office situated in Melbourne and six State Branch Administrations. The Central Office is responsible for the control of the general operations of the Department—

It formulates and directs policy, procedure and research, co-ordinates developmental planning and places collective orders for materials.^(c)

(c) Document No. 1, Postmaster-General's Department.

22. The State Administrations are responsible for the field operations of the Department, and are required to carry out the work necessary to provide postal, telephone, telegraph and other services in conformity with the procedures and policies approved by the Central Office. Authority is delegated to State Directors and district representatives for this purpose.

23. The Department is divided^(d) into ten Branches (nine at the Central Office where the Mail and Postal Services are combined)—

Service branches—

Mail,
Postal Services,
Telephone,
Telegraph.

Auxiliary branches—
Engineering Services,
Personnel Branch,
Finance Branch,
Buildings Branch,
Stores and Transport Branch,
Wireless Branch.

At the head of each Branch in the Central Administration is an Assistant Director-General who is responsible to the Director-General for the efficient functioning of his Branch. In addition to the Branch Heads, there is an Assistant Director-General (Planning and Organization). In each State, there is a State Director with a wide degree of responsibility for the operations of the Department in the State.

24. The staff actually employed at 30th June, 1953, and the establishment then approved for the Department, were—

	Staff Employed, 30th June, 1953.			Establishment, 30th June, 1953.	Establishment over Actual Staff.	
	Permanent.	Temporary and Extemp.	Total.		Number.	Percentage of Establishment.
Director-General, Directors, Personal Staff and Personal Branch	1,037	201	1,238*	830	- 399	- 47.6
Accounts	1,845	461	2,306	2,851	+ 45	+ 1.9
Buildings	450	321	771	1,115	+ 34	+ 4.6
Engineering	19,894	13,150	33,044†	34,184	+ 1,140	+ 3.0
Mail	3,100	1,843	5,000	5,038	+ 40	+ 1.0
Postal Services	10,712	3,652	14,364	15,807	+ 367	+ 2.6
Stores and Transport	1,158	1,774	2,932	2,974	+ 42	+ 1.3
Telephone	2,711	421	3,132	3,327	+ 195	+ 6.9
Telegraph	6,486	3,655	10,141	10,382	+ 241	+ 3.3
Wireless	250	65	315	317	+ 20	+ 7.2
Total	47,705	24,684	72,389	73,394	+ 1,005	+ 1.5

* Includes ministerial and overseas staff.

† Includes Postmaster-General's Department staff on Capital Works—6,650 employees.

25. Explaining the position in the Personnel Branch and Postal Services Branch where the staff actually employed exceeded the establishment approved, the Department said that trainee staff—there were 430 trainees with the Personnel Branch at 30th June, 1953—and replacements were included in the number of staff employed although no allowance was made for them in the approved establishment.

26. In the other branches, the establishment exceeded the staff employed and in the case of the Wireless Branch, the excess was 7.2 per cent. of the establishment and 5.9 per cent. in the case of the Telegraph Branch.

27. The excess of establishment over staff actually employed is a feature common to all the departments reported upon by the Committee. It has drawn the attention of the Public Service Board's representative assisting the Committee to this and has pointed out that the system can weaken control over the number of persons to be employed in the several departments.

28. The Director-General informed the Committee that he had appointed a number of departmental committees comprising experienced persons in the Department who could advise him upon the merits of the claims of the various sections of the Department, and thus help to ensure a balanced development of all the branches.

29. A short description of the various Branches of the Department and the committees is contained in Appendix No. 6.

(ii) STATUS OF THE DEPARTMENT.

30. When approaching its examination of the accounts of the Department, it was clear to the Committee that the form of the accounts would necessarily be influenced by the relationship in which the Post Office stands, through the Parliament and the machine

(d) See Appendix No. 5—Organization Chart.

of government, to the people of this country. If it is regarded as an ordinary department, albeit a very large one, its accounts will be framed on traditional departmental lines; if it is regarded as a public utility operating as a business undertaking, the accounts will assume a commercial character.

31. The status of the Post Office has been discussed on a number of occasions in Australia and overseas, and the Committee has theretofore had the benefit of the views of expert bodies to which reference is made in Appendix No. 7.

32. The Director-General told the Committee that in his opinion the Post Office should be regarded as a Commonwealth instrumentality providing communication services. The Department worked within the departmental system and at the same time, adopted the most appropriate commercial practices, the results of which it expressed in accounts on a double entry basis. These accounts afforded an opportunity to check the costs of the services with the charges made for them. This was done every year, and oftener, if necessary, and on the basis of the results disclosed and forecasts made, the charges for its services were reviewed. Irrespective of the results revealed by the Commercial Accounts, however, the charges for services were determined by the Ministerial Head in accordance with Government policy and parliamentary approval was obtained by legislation. Nevertheless, the Director-General agreed that endeavours should be made to avoid any substantial deficit—

Unless there are clear explanations, I think it is bad for organizations such as ours to be operating regularly with deficits. That has a bad effect on staff morale and almost everything else.

33. It is clear to the Committee that, because the Post Office in some quarters is not regarded as a business undertaking, greater emphasis is placed on

the traditional departmental practices. For example, revenue is credited to the Consolidated Revenue Fund and all expenditure is appropriated in detail by votes in the Supply and Appropriation Acts. As does any other Commonwealth department, the Post Office submits its claims to the Treasury for a share of the total Commonwealth Budget and is subject to the provisions of the Audit Act. Its staff is subject to the Public Service Act and is listed with that of other Commonwealth departments as employees in the Commonwealth Public Service and the number employed is affected by decisions regarding the volume of services and the rate of capital expansion.

34. While recognizing this position, the Committee is also aware that the Post Office is regarded by others as a business undertaking.

35. In most countries the postal services are conducted by the Governments concerned as ordinary departments. And this is the case even when public enterprises on a comparable scale are not conducted as government departments but as statutory corporations. The Commonwealth has adopted a similar policy in retaining complete ministerial control of the Post Office when it has substantially abandoned it in cases such as the Commonwealth Trading and Savings Banks, the Snowy Mountains Hydro-electric Authority, the Commonwealth Railways, the Commonwealth Scientific and Industrial Research Organization, and the Australian Broadcasting Commission. To a varying extent, these touch on the everyday affairs of the Australian public and expend very large amounts of public funds, features which in the case of the Post Office are mentioned as justifying ministerial and parliamentary control. The Committee recalls that the British Post Office has been a government department since it was established in the seventeenth century. This shows that people want it kept as a government department. Further, as the Bridgeman Report^(a) points out, in times of emergency there are reasons why the Government should control postal services.

36. Like most public utilities, the Post Office supplies services for which it charges. If its departmental "status" should result in customers being charged too much, or too little, there may be cause for complaint. In that event public and parliamentary pressure may be exerted to alter government policy. Without going so far as to say that the Post Office should pay its way, the Committee considers that the fullest attention should be paid to the relationship between the income and the expenditure of the Post Office in fixing charges.

The Importance of the Postmaster-General's Department's Commercial Accounts.

37. The Commercial Accounts were introduced in 1912-13 following a recommendation of the Royal Commission on Postal Services 1908-10.^(b)

(a) That an effective and uniform system of keeping expenditure accounts be instituted.
(b) That an annual balance-sheet be issued.

38. In a statement presented to the Committee, the Treasury argued that "as the Post Office is a large-scale business undertaking, the Treasury Accounts should be supplemented by a set of commercial accounts established by law, and generally recognized as the source from which the true trading results of the Post Office may be ascertained."^(c)

39. The Committee agrees with the Treasury: such a policy means including in the accounts all revenue and expenditure accruing during the year.

(a) Report of Enquiry on the Post Office 1932, Great Britain, Cmd. 4140.
(b) Summary of Recommendations in Report on Royal Commission on Postal Services 1910, page 164, quoted in Appendix No. 2.
(c) Statement by the Treasury on the Post Office's Commercial Accounts, 18th August, 1952, paragraph 2.

40. This is the basis of accounting in commercial practice and, allowing for the special nature of its operations, it is the basis on which the Department prepares its present commercial accounts.

41. The differences between the Treasury (or departmental) systems and the commercial system of accounting include (amongst other things)—

(i) In the Treasury (or departmental) system, full credit is not taken for services performed for other departments where payment in cash is not made.

(ii) In the Commercial Accounts, expenditure which in a normal business undertaking would be debited to Capital is so debited. In the Treasury Accounts, certain items are charged to Ordinary votes, such as the sick leave and holiday pay of workmen employed on Capital Works, and expenditure on assets such as new motor vehicles and office equipment.

(iii) The Treasury figures relate purely to cash transactions and show cash received and payments made during a period; the Commercial Accounts include revenue earned but not received and expenditure incurred but not paid.

42. A debit in the Post Office Commercial Accounts for depreciation, or for superannuation liability, or a credit for services rendered for other departments, does not mean that cash is paid out, or accumulated or received by the Department. It does mean that the accounts record, accurately and completely, legitimate debts and credits.

43. The Director-General informed^(d) the Committee that in the past governments had been interested mainly in the overall results of the finances of the Post Office. They had not fixed charges for services so that each branch would be self-supporting. The impact of Government policy on trading operations might result either in an over-all surplus or in a deficiency for the Department.

44. The Committee recognizes this possible effect of government policy. The Director-General made it clear that governments watched the results year by year and used the Accounts to measure the need for any adjustment of charges. Therefore the Committee affirms its belief in the necessity of compiling accurate Commercial Accounts as comprehensive as possible. Since it may not be generally known the Committee reports that these accounts have a significant influence in fixing charges for services.

45. In addition, the Commercial Accounts disclose the results of trading for each branch and for the Department as a whole, and thus provide a valuable means of financial control over the operations of the Department.

46. It is clear, therefore, that the Commercial Accounts are an important factor in determining the financial policy of the Postmaster-General's Department.

PART IV.

FORM OF THE COMMERCIAL ACCOUNTS.

47. The Committee is of the opinion that the form of the Profit and Loss Accounts and the Balance-sheet making up the Commercial Accounts could be improved. For example, figures for the previous year could be included and the wording of entries could be made more explanatory. The Committee notes that the Department has indicated that the accounts for 1952-53 will be prepared in an improved form.

(d) Transcript of Evidence, 18th September, 1953.

PART V.

SCRUTINY OF THE COMMERCIAL ACCOUNTS.

48. The Committee, having in mind the importance of the Commercial Accounts, was interested to know what attention was paid to the conclusions to be drawn from the contents of those accounts by the Auditor-General and the Treasury.

49. So far as the Treasury is concerned, it seems to the Committee that although the Treasury has from time to time, as for example, in 1949-50, conducted an occasional investigation into some aspects of the Postmaster-General's Accounts, it is only recently that the Treasury has concerned itself with details of the items in those accounts. The main interest of the Treasury *vis-à-vis* the Postmaster-General's Department has been the amount which that Department has sought from the general pool of government revenue for the financing of current operations and for capital investment.

50. The Treasury stated, however—^(a)

On the general question of the status of these accounts, the Treasury is of the opinion that consideration should be given to the enactment of a statutory provision requiring—

(a) the preparation and submission to Parliament of the Post Office's commercial accounts in a form approved by the Treasurer; and

(b) the examination and certification of these accounts by the Auditor-General.

51. The Auditor-General informed the Committee that the Commercial Accounts had been audited for the years 1912-13 and 1916-17, although the audit certificates then given were subject to some qualifications. He said that, apart from the audits of those two years, no other examination of the Commercial Accounts had been made by any Auditor-General. He strongly urged the audit of the Commercial Accounts, but made it clear that it would be necessary to reach agreement with the Department about the inclusion and content of some items in the accounts which did not represent cash transactions.

52. Answering the Committee's inquiry as to whether additional work and staff would be necessary if the audit of the Commercial Accounts were to be undertaken, the Auditor-General said that—^(b)

Before an accurate assessment could be made as to the additional work and staff which would be involved if audit of the commercial accounts were undertaken, it would be necessary to make a thorough examination of the Departmental records and procedures, the adequacy and efficiency of which would have considerable bearing on the nature and extent of the Audit Office examinations.

Owing to the limited time available it has not been possible for me to arrange this examination but from information received, it is apparent that the work of my officers in the Central and State Branches of the Department would be considerably increased throughout the year and at balancing date. In the initial year the work would be extremely heavy and could occupy the full time of at least six additional officers throughout the Commonwealth for a lengthy period. Thereafter the work would reduce but could quite possibly occupy the time of three or four officers.

53. In evidence, the Postmaster-General's Department agreed that it was desirable to have the Commercial Accounts audited.

54. In this connexion, the Committee noted the form of the certificate given by the United Kingdom Auditor-General on the British Post Office Accounts^(c) as follows—

I have obtained all the information and explanations that I have required, and I certify, as the result of my audit, that, in my opinion these Accounts and Balance Sheets are properly drawn up so as to exhibit a true and fair view of the transactions and state of affairs of the services to which they relate.

(a) Statement by the Treasury on the Post Office's Commercial Accounts, 18th August, 1952, paragraph 3.
(b) Letter dated 18th August, 1952, to the Committee.
(c) United Kingdom Accounts 1952-53.

and the pertinent comment made by the United Kingdom Public Accounts Committee in 1920^(d) on the general question of trading accounts—

Since trading accounts contain an element of opinion as well as fact—e.g., on such points as the effective life of plant—we think it essential that the accounts put forward by the officer who is in charge of an undertaking, and who is presumably anxious to show a profit, should be strictly scrutinized first by his own Department, and subsequently by the Exchequer and Audit Department and the Treasury. The temptation to undue optimism in such circumstances may be considerable.

55. The Committee, therefore, recommends that the Auditor-General should immediately put in hand the audit of the Department's Commercial Accounts, having in mind the comments of the Committee upon disputed items (see Part VI).

56. Whether there should be legislation providing for the Commercial Accounts in a form approved by the Treasurer, is a question which should not be answered in reference to the accounts of the Postmaster-General's Department alone. If the proposal is a valid one, it would, in the opinion of the Committee, apply equally to the subsidiary accounts of other government departments operating under the Audit Act.

57. The attention of the Committee has been drawn to section 16 and regulation 127 (3) of the Audit Act, which state—

Section 16: "Every accounting officer shall be subject to the provisions of this Act and the regulations and shall perform such duties keep such books and render such accounts as are prescribed by this Act or by the regulations or as the Treasurer may direct."

Regulation 127 (3): "Subject to the Act and these regulations, in all matters of receipt and payment of and accounting for public money, directions issued by the Secretary, Department of the Treasury, shall be followed."

58. It is doubtful if these provisions are so wide as to give authority to the Treasury to stipulate that a set of accounts, secondary to the Treasury cash accounts, should be kept, and in what form, and that specified charges should be included.

59. Recent legislation such as the *Australian Broadcasting Act 1948*, section 6E(1), *Aluminium Industry Act 1952*, section 14A (1), *Whaling Industry Act 1952*, section 3 (a), states that financial accounts for the undertaking in question shall be "in such form as the Treasurer approves". It seems to the Committee that in the light of these precedents, and as a desirable feature of financial administration, the Audit Act should provide power to the Treasurer to specify the form of subsidiary accounts of Commonwealth Government departments.

PART VI.

CHARGES FOR GENERAL ADMINISTRATION, DEPRECIATION, SUPERANNUATION, INTEREST AND EXCHANGE, IN SUBSTANCE AND FOOD CATEGORIES.

60. These charges are in the nature of overhead charges which are calculated for the Postmaster-General's Department, as a whole, and then apportioned among the profit and loss accounts of the branches.

(i) General Administrative Expenses.

61. The amount charged in the Accounts for 1951-52 for General Administrative Expenses was £2,029,536 (including £57,042 charged to the Wireless Branch). The Department stated that the item was made up of expenditure on such items as—

Personnel Branch,
Sections of Accounts Branch,
Sections of Postal Services Branch,
Building Branch,
Staff Training,
Printing, &c.

(d) Notes in Final Report of the United Kingdom Committee on the Form of Government Accounts, Cmd. 3369, page 17, footnote.

These were all items which, because of their general nature, could not be debited direct to the accounts of one of the branches: the sum total was apportioned among the branches according to the proportion of labour cost in each branch. A small loading was made in the case of the Postal Services Branch for administrative work for the Telephone Branch.

62. The Department assured the Committee that this method of apportionment was a reasonable one and had been reviewed not very long ago.

63. The Department presented^(a) to the Committee a comparison of the General Administrative Expenses in 1939-40 with those of 1951-52, stating that, as interest and exchange and liability for superannuation represented expenditure outside the Department's control, a more realistic comparison of General Administrative Expenses in the two years would be possible by excluding these items from total expenditure. The effect was—

Branch.	1939-40.				1951-52.			
	Total Expenditure (excluding Superannuation Interest and Exchange).		General Administrative Expenses.		Total Expenditure (excluding Superannuation Interest and Exchange).		General Administrative Expenses.	
	Amount.	Percentage of Total.	Amount.	Percentage of Total.	Amount.	Percentage of Total.	Amount.	Percentage of Total.
Postal Telephone ..	£'000. 5,135	244	4.75	£'000. 22,751	1,244	5.48		
Telegraph ..	618	29	3.74	2,647	1,353	4.65		
Sub-total.	1,316	82	6.21	6,857	475	6.93		
Wireless Branch ..	11,860	528	4.4	67,135	2,972	5.2		
Other Branch ..	504	10	..	4,372	57	..		
Total ..	12,364	538	..	61,507	3,029	..		

64. The Committee noted that the percentages of the General Administrative Expenses to the total expenditure in 1951-52 were higher than in 1939-40 and the following explanations^(b) were given by the Department:—

- much of the work now performed by the Personnel Branch was in 1939-40 carried out by the trading branches and thus recorded against operating expenses;
- wastage of staff was much greater in 1951-52 than in 1939-40: this caused a substantial increase in expenditure associated with training of Postal Officers, Telephonists and other staff which is charged to General Administration;
- the higher Capital Works expenditure in 1951-52 has resulted in increased General Administrative Expenses in connexion with the activities of the Building Branch in particular, and also of the Personnel and Accounts Branches.

As between the branches, the percentage of the expenses varied widely. Among other reasons for this, the Department explained^(c) that—

- the low ratio for the Telephone Branch was due to the charging of engineering overhead to repairs and renewals, and
- the relatively low ratio for the Postal Branch was due to the fairly high proportion of that branch's expenditure on the carriage of mails by outside agencies which did not entail high administrative costs.

65. The Committee considers that the Department should continue to keep the amount of these overhead

(a) Document No. 57, Postmaster-General's Department.

expenses constantly under review and to consider ways in which training costs, and the cost of the Building Branch, can be reduced.

(ii) Depreciation.

66. The gross amount^(a) of depreciation charged to the branch accounts for 1951-52 was £589,059 covering—

Credit to Depreciation Reserve ..	£ 835,391
Depreciation of Stores in Stock and Miscellaneous Plant ..	33,968
	509,059

67. The Depreciation Reserve Account at 30th June, 1952, amounted to £11,931,921 and the amount debited to the Reserve Account in 1951-52 was £30,411. A summary of the account^(b) and the type of assets covered by the depreciation provision is—

Type of Asset.	Gross Value.	Depreciation Reserve.	Reserve.
Group A—			
Exchange and Non-exchange Service Plant—			
Equipment ..	25,705	7,072	10.70
Tunnels, conduits and cables ..	60,070	3,244	6.48
Joint Telegraph and Trunk Plant—			
Tunnels, conduits and cables ..	4,070	53	1.29
Buildings ..	17,203	1,313	7.63
Sub-total ..	107,150	11,682	..
Group B—			
Exchange and Non-exchange Service Plant—Aerial wires, subscribers' instruments, automatic P.B.X.'s, &c.			
Trunk Service Plant—Equipment ..	35,036	..	..
Joint Telegraph and Trunk Plant—Aerial wires ..	12,593	..	..
Telegraph Service Plant ..	21,077	..	..
Postal Service Plant ..	1,933	..	..
Miscellaneous Plant and Equipment ..	891	..	..
Sites ..	5,100	..	..
Furniture and Office Equipment ..	5,023	..	..
	1,028	..	..
Sub-total ..	84,180	..	..
Total ..	191,330	11,682	..

68. The Committee was informed that the principles on which depreciation was calculated were established in 1919-13 and recently steps had been taken by the Department to review them in conjunction with the Treasury and the Audit Office. The Committee is to be informed of the new proposals when they have been prepared.

69. The present depreciation system classified the assets into two groups as shown in the foregoing summary: Group A, for which some depreciation reserve was provided, and Group B, for which no depreciation reserve was provided. In regard to Group A assets, ordinary replacements and maintenance charges were expected to be reasonably uniform from year to year, and therefore the Department thought that the only provision necessary would be for heavy renewals or replacements; this would be done by spreading the cost over a number of years through the Depreciation Reserve. In regard to Group B assets, replacements and maintenance were not expected to fluctuate very much from year to year, and, accordingly, a depreciation reserve was thought to be unnecessary.

(a) Annual Report, Postmaster-General's Department, 1951-52.

(b) Document No. 53, Postmaster-General's Department.

70. The only change made in these principles since 1919-13 was to suspend the provision for depreciation on tunnels and conduits from 30th June, 1950, on the ground that the reserve accumulated in respect of these assets was considered adequate.

71. From oral and written evidence placed before the Committee, it would seem—

- that experience has shown that the annual charge to the Profit and Loss Accounts, and hence the amount of the reserve for depreciation on the Group A assets, is too high. This appears to have been because the rate at which replacements have been estimated has proved to have been excessive.
- that there are grounds for believing that, if a depreciation reserve is desirable for Group A assets, it should be extended to, at least, some of the Group B assets, for example, trunk equipment.

72. The Committee is surprised that this system was not reviewed many years ago.

73. The Committee has discussed a number of other features of depreciation and it suggests that the following comments should be taken into account in the projected review:—

(1) Level of Maintenance.

74. The assumption underlying this type of reserve is that maintenance will be kept up by date. It is evident to the Committee that, during the war years, and the rapid expansion of the Post Office in the post-war years necessitated by pressing demands for communication services, the assets could not be fully maintained. If maintenance falls into arrears, that would be reflected in the lighter charge in that year's accounts and, when maintenance arrears are being caught up, the charge to the year's accounts would be disproportionately heavier. An increase in wages and prices would accentuate this position. The Department agreed that this could be the case, although other factors might tend to counterbalance the unevenness in the maintenance charges to the Profit and Loss Account: that this has been the case is shown in a statement to the Committee dealing with the Telephone Branch, *i.e.*—

"The percentage of the total expenditure incurred for 'Repairs and Renewals' would have been greater had the Department found it possible to keep its maintenance staff at the strength warranted on its approved staffing bases. In recent years, however, there has been a tendency to concentrate on New Works and this has meant a diversion of some staff from maintenance.

A statement submitted by the Department of Works on the Supplementary Estimates for 1952-53 supported this in these terms—

"There has been a lag in Postmaster-General's Department Maintenance Works for a good many years, and it was found possible during 1952-53 to step up maintenance work required to overtake some of the leeway necessary to preserve important building assets.

The additional amount of £73,408 was required to meet the cost of these essential maintenance works, many of which had been authorized for a considerable time.

(2) Sinking Fund Payments instead of Depreciation Provisions.

75. Depreciation, the Committee has found, is treated differently in the accounts of different government undertakings. The system of depreciation adopted by the Postmaster-General's Department has already been described and the Committee has compared it with what is done by the Commonwealth Railways. That undertaking does not include a provision for depreciation of its assets but, instead, includes in its working accounts the amount of the sinking fund payments for the year on the loan moneys used to buy its assets.

(a) Postmaster-General's Department No. 55, Statement F.

76. In the view of the Committee, the amount of the sinking fund payment for the year may have no relation at all to the proper depreciation charge. Further, the period over which the sinking fund payments are calculated need not necessarily be the same as the period of the expected life of the railway assets. The sinking fund payment is calculated on the loan moneys used by the Commonwealth Railways, but only about 60 per cent. of its assets have been acquired by loan moneys and the remainder by money made available from Consolidated Revenue Fund.^(a) No depreciation provision is made for assets purchased from the Consolidated Revenue Fund moneys.

77. The Treasury submitted that, in the case of the Commonwealth Railways assets, some depreciation reserve was necessary and stated that this view had been placed before the Commonwealth Railways.

78. The Committee draws attention to the widely different principles adopted by the Postmaster-General's Department and the Commonwealth Railways.

(3) Depreciation Reserve—A Book Entry.

79. The depreciation reserve of the Postmaster-General's Department is a book account only and, of course, is not supported by cash on hand or cash in a trust account, although depreciation is a factor in determining rates and charges.

80. The Auditor-General and the Treasury pointed out that to build up a trust account for depreciation would mean setting aside large sums of money. This would be contrary to the Treasury policy of avoiding the accumulation of funds in trust accounts. The Treasury urged that the Commercial Accounts should be regarded as statistical accounts only.

(4) Motor Vehicles.

81. The Department's motor vehicles are hired to each branch of the Department and the hire charge includes a sum for depreciation based on the estimated life-mileage of the vehicle. The depreciation credits in this case are not book entries, as with the general Depreciation Reserve, but, being part of the total hire charge, are paid for from departmental votes and credited to the Post Office Stores and Transport Trust Account. The amount so accumulated in this Trust Account is used to replace vehicles in the departmental fleet.

82. The Committee encountered a similar situation when examining the accounts of the Department of Works.^(b) It ascertained that although the Department of Works did not provide for depreciation in its business undertakings, the Department of the Interior did so for its transport services.

83. It is clear that there is no uniform practice among the departments in regard to depreciation reserves. It seems to the Committee that the Treasury might reconsider the whole question and might submit to the Committee for a future discussion a considered statement of the principles and problems involved.

84. Reverting to the treatment of motor vehicles, the Committee noted that their gross value in the accounts of the Postmaster-General's Department was shown at £3,453,732, less depreciation, £1,297,716—a net figure of £2,201,005. This net figure is included in the balance-sheet item 'Miscellaneous Plant and Equipment'. This item and other fixed assets and plant, apart from motor vehicles, are shown in the balance-sheet as gross figures, less, in total, a total provision for depreciation.

(a) Annual Report on Commonwealth Railways Operations 1951-52.

(b) Fifth Report on Department of Works, paragraph 20.

85. The Committee suggests that the figure for motor vehicles should also be shown separately in the balance-sheet, on the same basis as the other fixed assets, as a gross figure less a provision for depreciation.

(5) Depreciation on Stores.

86. The value of stores lost, declared obsolete or written off in 1951-52 was £29,008—or 0.14 per cent. of the value of stores on hand at 30th June, 1952 (£18,336,487). For this reason no depreciation reserve is maintained for stores.

(iii) PENSIONS AND SUPERANNUATION LIABILITY.

87. The amount debited in the branch accounts for 1951-52 was £2,953,399, plus £60,534 which was attributed to the Wireless Branch, a total of £3,013,933. This represented the Government's share of the liability for pensions for Post Office employees accruing in that year, calculated on an actuarial basis, including allowance for compound interest.

88. The Department stated that it calculated the amount to be debited by taking—

(a) twice the amount of the net contributions by the officers and employees to the Commonwealth Superannuation Fund, and

(b) adding to this sum small notional amounts to cover—

- (1) pensions paid to non-contributors, and
- (2) in the case of Western Australia, to meet the liability in respect of officers with rights transferred from the States at Federation.

89. The amount was then apportioned annually over the branch accounts on the basis of the ratios of branch salaries costs to the total salaries costs of all departments.

(1) Alternate Bases of Liability.

90. The Department pointed out that, until 1946-47, the liability was not much more than the Commonwealth's share of actual pension payments to former employees. Since then, more liberal conditions and higher salaries have meant that the gap between the two has widened substantially. The higher liability has an important effect on their trading results—

Year.	Liability taken up in Commercial Accounts.*	Commonwealth's Share of Actual Pensions paid to Former Post Office Employees†
1946-47	£'000's. 462	£'000's. 460
1951-52	3,014	1,000

* Including Wireless Branch 1946-47, £11,101, 1951-52, £20,654.

† From Estimates 1947-48, page 145, and 1952-53, page 90.

91. The Department told the Committee that the amount charged to the accounts was now so large it was felt that the basis of calculating the liability should be re-assessed; it might even be necessary for a review of age distributions and life expectations to be made.

92. The Auditor-General had indicated that, in his opinion, only the cash payment should be taken into these accounts; it was the present policy that Commonwealth public corporations alone were required to provide for the full pensions liability accruing yearly.

93. The Treasury did not agree with this view but supported the present practice.

94. The Committee, therefore, sought the views of the Commonwealth Actuary: they are contained in his letter to the Committee dated 22nd September, 1953, attached as Appendix No. 8. It will be seen that the Actuary's view also supports the present practice.

95. It seems to the Committee that the doubts now felt by the Department about the wisdom of a provision, which it has made over many years, spring from the fact that the amount is quite a big figure and could influence whether we are showing a profit or a loss? (a) Because the Commonwealth's share of the amount paid to pensioners is now much less than the Commonwealth contribution towards the pensions of present employees, it can hardly be argued that a reduction should be made in the charge in the accounts of the Postmaster-General's Department which would then be insufficient to meet its contingent annual liability for pensions. The Committee has already indicated (paragraph 89 above) that the Commercial Accounts should include all liabilities accruing in the year in question. The contribution to a common pension fund is clearly such a liability. The Committee therefore endorses the view of the Treasury and of the Commonwealth Actuary.

(2) Adequacy of the Provision.

96. The Commonwealth Actuary pointed out that when the superannuation benefits were liberalized in 1947, and in later years, an additional liability was created for arrears of contributions at the higher rate to cover the accrued liability for the added benefits. This additional liability had not been taken up by the Postmaster-General's Department in its Commercial Accounts. The Actuary's provisional estimate of the amount involved was £250,000 per annum (see Appendix No. 8).

97. On the basis of the argument outlined in the preceding section, there appears to be no logical reason for excluding this additional liability from the Department's accounts. If it is excluded the additional cost will fall entirely on the Consolidated Revenue Fund.

(3) Differing Practices between the Postmaster-General's Department and Commonwealth Railways.

98. The Commonwealth Railways accounts are debited with the amount of the Commonwealth contributions towards the cost of pensions paid in the year to past employees, whereas, in the case of the Postmaster-General's Department, the accounts are debited with the Commonwealth share of the accruing liability for pensions to existing employees.

99. The Treasury stated that, in its view, the practice of the Commonwealth Railways was incorrect, and the practice of the Postmaster-General's Department should be followed by the Railways. It proposed to discuss the matter with the Railways.

100. The Committee has already drawn attention to the lack of uniformity between these two undertakings in regard to depreciation (paragraph 75 above). The differences in the treatment of pension liabilities disclose the need for a special examination by the Treasury of the principles and problems also involved in this matter.

(4) Pensions and Superannuation Liability—a Book Entry.

101. As in the case of the depreciation reserve referred to above, the Postmaster-General's Department does not hold the amount of the contributions towards superannuation liability in cash or in a trust account. The postage and other rates charged by the Department mean, in theory, that the amount of the liability for pensions and superannuation (£3,000,000 for 1951-52) is collected in cash and paid into the Consolidated Revenue Fund. There, it is considered as part of Commonwealth revenue for the year and used to meet Government expenditure in that year.

(a) Evidence of Director-General, Postmaster-General's Department, on 18th September, 1953.

The Commonwealth, at a later time, meets the pension liability, when it falls due, from the revenue of that year.

102. It is probable that the amount of pension liability to be met from Consolidated Revenue Fund will increase over the next ten years with the expected heavy retirements from the Public Service.

103. There may be a case here for the use of a trust fund, but the Committee has not, at this stage, considered the matter and is not ready to express an opinion in this special case.

104. It appreciates that a loss on operations of an undertaking in a year may be offset against the provisions made in that year for accruing liabilities, such as depreciation and superannuation, when cash receipts are being considered. Nevertheless, it does suggest that it would be an advantage to show the gross contributions which have been made by business undertakings to the cost of pensions and the appropriate place for this appears to be in the reports of the Superannuation Board. The amounts should also be shown in detail in the Department's reports.

(iv) CAPITAL, INTEREST AND EXCHANGE CHARGES.

105. The Department explained to the Committee that the capital funds of the Department has come from Government loans raised in Australia and overseas, and from taxation and other revenues. The amounts obtained from these sources up to various dates have been—(a)

Financial Year.	Loan Fund.	Consolidated Revenue Fund.	Total.
1901-06	£'000.	£'000.	£'000.
1906-11	639	639
1911-16	2,683	2,683
1916-21	6,113	6,113
1921-26	832	2,771
1926-31	17,111	18,621
1931-35	14,651	14,054
1935-41	14,778	4,923
1941-46	3,096	15,227
		1,185	16,113
1946-47	5,785	5,785
1947-48	8,041	8,041
1948-49	12,323	12,323
1949-50	16,567	16,567
1950-51	23,740	23,740
1951-52	28,810	28,810
Sub-total	40,163	176,890
1952-53	28,328	28,328
1953-54 (estimate)	28,410	28,410
		40,163	103,464
			233,637

106. The figure of £176.0m. for capital provided up to 30th June, 1952, does not agree with the amount of £202.0m. shown in the Postmaster-General's Department's balance-sheet as the capital at that date. The figure in the balance-sheet is a compound figure of the Treasury. The Department did not have details of this reconciliation but agreed that a much clearer statement in the balance-sheet of capital funds was desirable and an attempt to do this would be made in the balance-sheet for 30th June, 1953.

107. Again, the figure of £176.0m. for capital provided at 30th June, 1952, does not agree with the figure set out in the Budget-papers for 1952-53, page 94—

Capital provided from Consolidated Revenue Fund	£m.
Capital provided from Loan Fund	40.5
Transferred properties	5.8
	40.3
	107.3

(a) Document No. 25 submitted by Postmaster-General's Department.

108. The two figures could be reconciled (a) by adding to the Postmaster-General's Department figure of £176.0m. the following items—

Advances to Post Office Stores and Transport Trust Account	£m.
Advances to Overseas Telecommunications Commission	11.0
Amalgamated Wireless Ltd: Share capital	1.8
National Broadcasting Services expenditure	5.4
Transferred properties	1.6
Wireless stations	1
	20.7
Less certain disposal credits	2.4
	18.3

109. In examining these differences the Committee noted that—

(1) the Postmaster-General's Department was willing to include the advances to the Stores and Transport Trust Account of £21m. in its capital funds, but not such amounts as the advances to the Overseas Telecommunications Commission £1.6m.

(2) advances had been made to the Stores and Transport Trust Account from the ordinary votes of the Department, e.g., the sum of £2m. was debited to Division 524 in 1946-50 and similarly £2.35m. in 1948-49: these advances were not included in the figures of either the Treasury or the Postmaster-General's Department.

110. The Committee suggests that the amount of the capital funds of the Department should be determined without delay.

(1) Interest and Exchange charged in the Post.

111. The Department stated that originally 3½ per cent. of the value of the assets was charged in its Commercial Accounts to cover interest on loan funds: this basis was recommended by the Royal Commission of 1910. (c) In time, this amount proved to be less than the actual Treasury payments on loans earmarked to the Postmaster-General's Department, and, in 1928-29, the Department adopted the practice of debiting in its accounts the actual interest and exchange charges paid by the Treasury on loan moneys used for postal purposes.

112. This practice has continued and now, as all capital expenditure since 1942 has been met from revenue, the Commercial Accounts are bearing a debit for interest and exchange on a small and decreasing proportion of the total capital funds (see Table in paragraph 105 above).

113. Further, sinking fund payments are reducing the balance of the loan funds on which interest is charged so that the balance of these loans outstanding at 30th June, 1953, is only £10.3m. If this practice continues, in the not very distant future all this loan liability will have been repaid, and no interest will be debited to the Postmaster-General's Department for its use of loan funds.

114. All the witnesses before the Committee agreed that this situation should be corrected and to do so, the Treasury, the Audit Office and the Department had arranged to discuss the position. The Postmaster-General's Department claimed, however, that if the Department were treated as a private concern, in investing its reserves and surpluses in the business and using short-term loans at low rates to finance its operations, it could be argued that the interest now paid would be sufficient. In due course the Committee will be informed of the result of the discussions.

115. The Committee endorses the view that the position urgently needs re-examination; indeed, in the

(b) Exhibit T. 673 submitted by the Treasury.
(c) Report of Royal Commission on Postal Services 1910, paragraph 75.

circumstances, it is a matter, both of surprise and concern, that the position has not been corrected long since.

(2) *Basis for Future Charges of Interest and Exchange.*

116. There are a number of factors to be considered before deciding upon an equitable charge for interest and exchange in the future.

117. As far as the Postmaster-General's Department is concerned—

- (1) Not only will it be necessary to determine the capital of the Department, but also whether, in that determination, the Department should be permitted to offset against its capital accumulated surpluses and reserves in order to arrive at the net figure on which any interest should be calculated;
- (2) The issue will then be whether interest should be charged on funds invested from revenue as well as from loans. On this point, it is relevant to notice that advances made from revenue to public corporations such as the Snowy Mountains Hydro-electric Authority and the Joint Coal Board, bear interest at the current long-term bond rate; and
- (3) What rate of interest is to be charged? Is it to be the average interest charge on all Commonwealth loans, the average rate payable on loans raised in the year in which the advance is made, or the actual interest rate payable on loans from which capital funds were obtained plus some other rate on funds appropriated from revenue if interest is to be charged on those funds.

118. The Committee again emphasizes that if the scrutiny of departmental Commercial Accounts had been adequate, this problem, along with others referred to above, as well as the differences between practices with regard to advances to public corporations and to the Postmaster-General's Department, would have been considered, and perhaps, settled, long ago.

119. The general question of interest is, however, a matter which the Committee first encountered when dealing with undertakings operated by the Department of Works^(a) and there is no doubt that it will be met again. The Committee has therefore asked the Treasury to submit to it a general statement on interest charges on investments made by the Commonwealth in its business or trading undertakings.

(3) *Apportionment of Interest and Exchange Charges amongst Branch Accounts.*

120. Interest and exchange charges are apportioned annually among the branch accounts on the basis of the value of each branch's assets to the total value of the assets at 1st July of the financial year.

121. The loan funds on which interest is charged have been used to finance the acquisition of the major proportion of assets up to 1941-42, but in subsequent years moneys obtained by taxation or charges only have been used and no interest has been charged on these amounts. During this period, the investment in the Telephone Branch has outstripped that in the Postal and Telegraph Branches; and the use by the Department of the apportionment formula described above has resulted in a greater proportion of the share of interest and exchange being debited to the Telephone Branch. The effect of this has been that the Department has regarded the interest and exchange actually charged as attributable to the whole of the capital investment in the Department, instead of to the loan funds only.

(a) Fifth Report—Department of Works, paragraphs 92-95.

122. The apportionments of these charges for 1927-28, 1941-42 and 1961-62 which illustrate this point are—

Year.	Interest and Exchange Charges debited to—			Total Interest.
	Telephone Branch.	Postal Branch.	Telegraph Branch.	
1927-28	£'000's 1,028	£'000's 137	£'000's 108	1,673
1941-42	1,636	133	120	1,889
1961-62	1,313	66	56	1,435

123. The Committee suggests that the method of apportionment of interest and exchange charges amongst the branches should also be discussed by the Department with the Treasury and the Audit Office.

(v) *FIRE INSURANCE.*

124. The Royal Commission on Postal Services 1908-1910 discussed the problem of fire cover, and in paragraph 135 commented in the following terms—

The Post and Telegraph Department does not make any provision for underwriting or insuring its property, and officials were examined as to the advisability of forming a departmental insurance fund. The losses by fire during the last few years amount to a very considerable sum. The loss by the fire at the Melbourne Post Office Stores in 1907 was about £13,000 and by the fire in Sydney, in 1909 at the George-street Stores, about £10,000. The replacing of such destroyed material is a heavy charge against one year's revenue. In view of this experience your Commissioners recommend that a departmental fire insurance fund be established, thus following a course similar to that adopted by large shipping companies.

125. The Committee was told that, at the present, the only fire insurance reserve provided in the Commercial Accounts was for stores stock. Losses from fire of buildings and equipment in the field were charged to the depreciation reserve or to maintenance, and losses from fire of motor vehicles were charged to the accumulations in the Stores and Transport Trust Accounts. The Department's assets were spread widely and the fire prevention precautions were thorough. The result was that the losses each year tended to be small and one year's losses were more or less the same as the next. Special provision had not, therefore, been thought to be necessary, beyond that for stores. Other Commonwealth instrumentalities provided for internal fire insurance reserves but from an inspection of the accounts of a number of them there did not appear to be a common practice.

126. The credit to the fire insurance reserve for stores was 58 per cent. on the average monthly value of stores in stock and this amount was debited to the branch accounts according to the ratio of stores issues. The debit did not appear as a separate item in those accounts but was included under maintenance.

127. The amounts charged to the reserve for loss of stores from fire in the ten years to 30th June, 1962, were—

1942-43	£ 700
1943-44	.. .. . 0
1947-48 (Underwood-street, fire)	.. .. . 818
1961-62 (Lidcombe fire)	.. .. . 63,028
	16,174
	83,876

The balance of the reserve at 30th June, 1962, was £112,411.

128. The evidence suggests that the "Depreciation reserve" is used as a "Fire insurance reserve" as well as a depreciation reserve; there also appear to be different approaches by Commonwealth public corporations and undertakings to the question of provision for insurance.

129. The Committee therefore suggests that the Treasury should consider whether or not it is desirable to apply common principles and practices to the provision of insurance reserves for Commonwealth undertakings and corporations.

(vi) *TRANSACTIONS WITH OTHER COMMONWEALTH DEPARTMENTS.*

(a) *Services to Other Commonwealth Departments.*

130. In addition to postal, telephone and telegraph services for other Commonwealth departments, the Postmaster-General's Department provides services on an agency basis, for example—

- Deposits and withdrawals for the Commonwealth Savings Bank,
- Payment of age, invalid, widow and war pensions and child endowment,
- Sales of tax stamps,
- Collection of customs duty.

With two major exceptions, all the services performed for other Commonwealth departments are paid for in cash by the department concerned to the Postmaster-General's Department, i.e., by a debit to a vote and a credit to the Postmaster-General's Department's revenue. The cash payments take the form of the purchase of stamps, of the payment of telephone accounts, or of a payment to meet the cost of the agency services of the Postmaster-General's Department. In the last case, the payment is calculated as a percentage of the value of the transactions handled.

131. The percentage rates of commission are arrived at by actual observation of the time involved: at representative offices the amount of salary cost is calculated and a percentage is added for overhead charges. The result is then converted to a percentage of the estimate of the value of the transactions to be handled. The Department has supplied the Committee with a statement^(a) of the rates of commission and the estimated cost of the services to the Department for 1951-52, the totals being—

Total amount of commission	£ 703,400
Estimated cost to Department	.. .. . 712,950
Estimated surplus 1951-52	61,360

132. On behalf of the Committee, the Auditor-General examined the details of the various rates and submitted a statement^(b) to the Committee on the results of his investigations. He stated that—

Annually the Department reviews the cost changes which have taken place during the year and assesses the possible effect thereof on the services in question. If the review indicates no abnormal variations no further action is taken. If, however, there are such indications, the Department resorts to time studies, the last of these having been made in 1949. In this review the Department is furnished with statistics from the Department for whom the services are performed.

The present rates of commission were established as follows:—

- State duty stamps, New South Wales 1917. Other States — information as to the exact year not available but between 1920 and 1930.
- Tax instalment stamps, 1941.
- Entertainment tax, 1942.
- Tender Board transactions, 1952.
- South Australian Land Tax, 1952.

All others, 1951. The assessment of the rates has been closely examined but details of all of the various formulae have not been included in view of the work involved.

In the case of collection of customs duty and the sale of beer duty stamps, it was mutually agreed between the Department and the Department of Trade and Customs in 1951 that a fixed amount of £10,000 per annum would be paid in lieu of a rate of commission. This agreement received Treasury approval.

(a) Document No. 2, Postmaster-General's Department, 1951. Letter from the Auditor-General to the Committee dated 18th October, 1953.

conurrence (Treasury memorandum 48/3371 dated 19/7/51). The Postmaster-General's Department is at present making a review of its costs in relation to this service with a view to re-opening negotiations if it is found that the payment of £50,000 is inadequate.

It is twelve years since the rate of commission on the sale of taxation instalment stamps was reduced from 10s. per £100 to 8s. per £100. A review of the present rate appears to be desirable. Otherwise it is considered that present rates are reasonable.

133. The Department stated that, in regard to the commission on the sale of taxation instalment stamps, a review of costs was to be undertaken shortly "as part of the comprehensive periodical investigation now proceeding in relation to work performed for other departments". The Department also pointed out that the sale of the higher denominations of stamps had benefited the Department.

134. The Committee has already^(c) mentioned the general question of payment in cash by one Commonwealth department for services rendered to it by another Commonwealth department. The representative of the Postmaster-General's Department stated—

Until a few years ago we received only part of those payments in cash; the other part was a notional entry in our commercial accounts. However, by arrangement, and after conferences with the Treasury, it was decided to require the Departments concerned to pay in cash. The amounts are shown in the cash expenditure of other departments and as revenue for our Department.

Some of the amounts involved are small, for example, £3,800 for commission on the payments of R.A.A.F. allotments.

135. The major exceptions for which cash is not paid are—

METEOROLOGICAL TELEGRAMS.

136. The *Post and Telegraph Rates Act 1902-1951*, Second Schedule, Part VI., provides that these are to be handled by the Postmaster-General's Department free of charge to the Meteorological Branch of the Department of the Interior. The Postmaster-General's Department takes credit in the Commercial Accounts for the telegrams at the prescribed rates, the credit in 1961-62 being £1,190,813.^(d)

137. The Committee is aware that the Minister for the Interior favours payment in cash for these services to his Department.^(e)

138. It has since received the following comments from the Department of the Interior on this matter:—

The question of payment for meteorological telegrams was reviewed early last year by officers of the Meteorological Branch with the Postmaster-General's Department and the Department of the Treasury. Difficulties were foreseen in arriving at accurate figures of the cost of the actual messages despatched. The Director-General, Posts and Telegraphs, proposed a system requiring a reasonable cash payment for the services rendered to the Meteorological Branch with the object of avoiding the clerical work associated with the preparation of detailed accounts.

While this Department had no particular opposition to the suggestion that some payments be made in respect of meteorological telegrams, it was of the opinion that business of the magnitude involved warranted some preferential rate certainly not higher than those charged for press telegrams.

139. The Auditor-General has reported^(f) to the Committee that—

The question of the repeal of the provision in the *Post and Telegraph Rates Act* was also considered in 1952 but it was decided that provision would not be made in the Estimates of the Department of the Interior for the payment of the telegrams of the Meteorological Bureau then estimated to cost £1,230,000. The principal reason affecting this decision was that the expenditure of the Department of the Interior and the revenue of the Postmaster-General's Department would be substantially inflated.

(a) Sixth Report—Department of External Affairs, paragraph 22, 24.
 (b) Transcript of Evidence, 10th September, 1953.
 (c) 1952-53—Paragraph 118.
 (d) Statement by the Minister of the Interior, the Hon. W. S. Ezra Hughes, in House of Representatives, 19th October, 1961, pages 729-737.
 (e) Statement from Department of the Interior, 10th November, 1958.
 (f) Statement to the Committee by the Auditor-General, 8th July, 1953.

140. The Treasury has expressed the opinion that—
The Meteorological Bureau should pay for these telegrams. At present the law provides that the telegrams may be sent without payment and the law would have to be changed before the Meteorological Bureau can be charged for the telegrams.

If a department is allowed to call upon the services of another department without paying for them and without the services being reflected in the claimant department's estimates, rather reckless expenditure could result. For that reason, perhaps it would be wise to suggest that the Meteorological Bureau should be debited with the cost of sending weather telegrams so that Parliament will know what they cost and so that the Meteorological Bureau will keep its expenditure down.

ELECTORAL MATTER.

141. The Electoral Act 1918-1953, section 213, provides that electoral papers are to be carried free to the Electoral Office of the Department of the Interior. The Postmaster-General's Department takes a credit in its Commercial Accounts at the normal postage rates; in 1951-52, £103,000. The Treasury representative did "not believe that the Treasury would oppose an arrangement for charging for the sending of electoral matter through the post. It is really a book entry."

142. In the case of meteorological telegrams and electoral matter the Committee feels that the evidence and statements presented to it favour payment for these services in cash. The Committee recommends that the Post and Telegraph Rates Act and the Electoral Act should be amended to permit payment to be made.

(b) Services by Other Commonwealth Departments.

143. The Postmaster-General's Department includes in its cash and Commercial Accounts the cost of audit, rent and maintenance, which are paid for by other departments (£875,511 in 1951-52 and £1,013,557 in 1952-53).⁽⁴⁾

144. The Department stated that it received free services from other Commonwealth departments, such as the Attorney-General's Department (legal advice), the Public Service Board (in connexion with staffing), and the Treasury (in connexion with finance).

145. The three departments mentioned are part of the structure, and incidental to the operations of government and it is not customary for client departments to pay them in cash for work done.

(vii) CAFETERIA FOOD SERVICES.

146. The Postmaster-General's Department, Food Services Division, operates 30 separate cafeterias, dining-rooms, sandwich bars and ten services in the capital cities, except Hobart. In some cases, a 24 hours-a-day service is provided for shift-workers.

147. The Committee was informed that in 1946 the Government approved a number of principles governing the manner in which food services could be provided for Commonwealth employees (see Appendix No. 9). Briefly, the Government agreed that, where sufficient numbers were employed, it would provide the capital costs of establishing the lunch-room, replace capital equipment when worn out, and provide accounting assistance. Apart from this assistance, the services were to be self-supporting.

148. Prior to that time, cafeterias had been operated by the Department, by the Australian Postal Institute, or by employee committees on behalf of departmental

employees; as a result of the Government decision, all were taken over by the Department. The trading results have been—

Year.	Sales.	Profit.	Loss.
1946-47	£ 116,052	£ 1,768	£ ..
1947-48	139,038	1,929	..
1948-49	176,263	410	7,722
1949-50	201,928	..	4,404
1950-51	228,705	..	2,388
1951-52	259,049	..	606
1952-53	260,051	3,741	16,100
Net Loss	..	..	11,449

149. The receipts and expenditure of all Commonwealth cafeterias pass through the Cafeteria Trust Account and the operations of each department's cafeterias represent a section of this trust account.

150. The Postmaster-General's section of the trust account was opened in 1946-47 with a credit of £9,708, being funds on hand under the previous arrangements. Since then, the net losses on its operations to 30th June, 1953, have amounted to £12,355; the Treasury⁽⁵⁾ has advanced £9,000 to this section of the trust account.

151. The Committee inquired why losses had occurred and had not been recouped. The Department stated that the Public Service unions had resisted moves by the Department for price increases and there had always been a lag in cafeteria price adjustments. Efforts had been made to avoid price increases by reducing expenses; the cafeteria staff was reduced by 43 in 1952-53.

152. The services were inspected regularly by the Department of Labour and National Service.

153. The Department informed the Committee that in all States the cafeterias were available by invitation of the officer concerned to friends, relatives, and business associates of the staff present on odd occasions. There was no evidence that unauthorized persons used the cafeterias.

Cafeteria Trust Account.

154. The Committee has been provided by the Treasury with statements⁽⁶⁾ on the operations of the Cafeteria Trust Account generally. It appears that fairly substantial losses have also been incurred by cafeterias operated by other departments. Some losses have been written off by debits to votes in the Estimates but other, and larger, losses have been offset against the balance in the trust account without any advice to the Parliament. The Committee takes a serious view of a practice which hides losses in the trust account and repeats its opinion, already expressed in its Fifth Report on the Department of Works, pages 15 and 16, that the utmost care and the fullest disclosure of facts are desirable when dealing with trading operations in trust accounts.

PART VII.

COMPARISON OF REVENUE AND EXPENDITURE OF STATE BRANCHES.

155. From the examination of the items of "overhead" in the branch accounts the Committee turned to examine the revenue and the expenditure of the branches of the Department.

156. The Committee was informed that there were over 8,000 official and non-official post offices and this ruled out any attempt to examine the accounts of

such post offices. The Committee was also informed that, because of the variations in the activities at each post office, and in the type of district served, it would be difficult to make any valid comparison between individual results.

157. The Department stated that, for the engineering work of the Department, a comparison could be made of costs of particular operations, such as laying cable, and erecting poles. In the case of non-engineering work, covering telephones, telegraph and postal services, staff loadings at similar places within a State and between States could be compared. The Committee had already ascertained that staff loadings at individual post offices were kept under regular scrutiny by the Department to ensure that the number of employees was not excessive. Examples of staffing of comparable post offices presented to the Committee confirmed the opinion that there was little variation between post offices on this score. The Committee, therefore, decided to examine the accounts in their wider aspects.

158. The Department is organized into State branches, each responsible for the services within its State boundaries. The Committee wished to compare the efficiency and economy of each branch, and it seemed that a comparison of the costs of each branch, one with another, would be the most suitable way to do it. Further, if a suitable unit of work for telephone, telegraph and postal services could be found, and the costs of each State branch prepared on a unit basis, the Committee could compare the unit costs of the branches. By this means, all costs would be presented in perspective and differences between States could be easily seen and explanations sought.

159. The Committee, therefore, asked the Department to present the accounts of the Telephone, Telegraph and Postal Branches under headings such as Operating Costs, Repairs and Renewals, Administration, Depreciation, Superannuation, Interest and Exchange, and in total. The Committee also asked the Department to select a unit in relation to each of the branches and to present the accounts of each branch on a "per unit" basis.

160. The Department used the following units—
Telephone Branch: per subscriber's line (including duplex lines but not public telephones).

Telegraph Branch: per telegram.

Postal Branch: per £1 of postal revenue. (The Committee discusses this unit further in paragraph 35(Err).)

161. The Department emphasized the difficulties of presenting a reliable comparison of the expenditure of the Department on a State basis or on a unit basis. Some of the factors which were said to make the comparison unreliable were the absence of any interstate adjustments for interstate traffic; there might be a preponderance of traffic one way or the other between States, and there were differences in population to be served and in the terrain to be covered. The Department also stated that for these reasons, and because, as a general rule, little attention was paid by the public to State results, the Postmaster-General had decided to cease the publication of State accounts in the Annual Report of the Department.

162. The Committee feels that the matter is important. Conceding always that the charges by the Postmaster-General's Department are determined by the Government and over which the Department has no control, it should be judged, amongst other things, on the results of its trading operations each year, and these results will be shown in suitable Commercial Accounts, i.e., by a surplus or a deficiency in the accounts of the Telephone, Telegraph or Postal Branches. Furthermore, it appears to be equally sound to assess the activity of each of the administrative divisions of the Department—the State

branches—by these trading results. In private enterprise, branch trading results are closely watched; they should also be regarded as of supreme importance in an enterprise the size of the Postmaster-General's Department.⁽⁷⁾ To the central management variations in costs incurred for one service by a State branch should be a matter for concern and investigation. Variations in work loads, comparisons of grades of service, would assist the examinations of financial results.

163. The Committee agrees that there may be factors, such as the unevenness of interstate traffic, which may distort comparisons between results of State branches unless some adjustment is made for them. The evidence presented to the Committee, which is discussed later in this Report, suggests that the bulk of the Department's business is confined to the State of origin and that the amount of unevenness in interstate traffic is small.

164. Differences in population and other factors do not upset the principle of the comparison of branch results on the basis mentioned. Differences in trading results or in costs from these causes will be disclosed in the accounts and will be explanations of differences as between States' results.

165. The Committee therefore recommends that the Department should consider the desirability of—

- (1) maintaining and publishing accounts in its Annual Reports on a State basis for each branch;
- (2) establishing a reasonable unit of comparison for each branch;
- (3) including with the accounts a comparison of costs of each branch, on a unit basis, with brief explanations; and
- (4) reviewing regularly, in the course of its administration, the State results in total and on a unit basis.

PART VIII.

TELEPHONE BRANCH.

(1) Tariff for Local and Trunk-line Services.

166. The Committee has been informed that telephone charges comprise either a "flat rate" or a "measured rate". Under the flat rate tariff, an annual charge is made to cover rent of the telephone and all local calls made. Under a measured rate tariff, a rent is charged as a contribution to the recurring costs of the service and each effective local call is charged for separately.

167. At Federation, the State telephone services charged an annual rent for a telephone and this rent included unlimited free local calls. The amount of

⁽⁴⁾ The principle which the Committee has insisted was followed by Mr. J. M. S. Bink, P.M.B., C.A., P.C.W. M., Chief Accountant of the Southern Gas Board, who gave an address entitled "Financial Control in Large-scale Undertakings" at the fourth summer school of the Institute of Cost and Works Accountants in England recently. The following points of the address is extracted from "Accountancy".

Mr. Bink considered that top-level control must be in financial terms because only money could provide a common measure of different things. In large undertakings control became more difficult, with a stronger tendency to rely on accounting statements, and greater need for a breakdown for budgetary control. Organization and lines of authority must be clear of central costs would become uncertain. Budgeting control was an aid in the development of authority in the formulation of general plans and in developing performance against forecasts. While planning, control was an aid in the industry terms, control was obtained by turning money values into fact.

Mr. Bink said that a control should be set up as a naturally occurring and other public corporations, government departments, or local authorities. Control was easier in a concern engaged in buying, making and selling, but the principles could be applied to other activities. It was necessary to make a plan and to identify key factors to be used in the achievement. Control was carried out by people; the selection and remuneration of top management should have constant attention.

Accounting statements must be prepared with precision: there was room for improvement in definitions for accounts for control should be prepared promptly and accurately at short intervals, enable in industry control to make a plan and to identify key factors to be used in the achievement. Accounts in subjective form, showing the nature of the various expenses, signs, materials and so on. Accounts in objective form, with expenses measured according to purpose, should also be prepared. The accounts should be accompanied by a review of results for a number of years.

⁽⁵⁾ See full report of address, see Gov. Accounts, Nov. 1952, Vol. 32 No. 6, pages 187-202.

⁽⁴⁾ Treasury Statement on Trust Accounts dated 11th December, 1953.
⁽⁵⁾ Treasury Statement dated 11th December, 1952. Treasury Memorandum dated 10th February, 1954.

⁽⁶⁾ Budget Papers 1952-54, para 86.

the rent varied from State to State: for example, £9 a year in Sydney and Melbourne for business telephones within 1 mile radius of the exchange, and £8 a year in Brisbane and Hobart.

168. In 1901, a departmental committee investigated the two systems and recommended the adoption of a measured rate tariff, but it was not until after the Royal Commission of 1910 that a full measured rate tariff was adopted. All subscribers on a flat rate were then required to accept the new measured rate tariff.

169. Since 1910, the measured rate tariff has been revised from time to time to increase rent to raise additional revenue, and to expand the scale of rents as population increases brought in additional and larger subscriber groups. The rate for local calls has also been increased to provide additional revenue.

170. Trunk-line calls have been charged by the Department on an individual call basis since Federation. The charges increase with the mileage involved. The scale has been expanded from time to time as the available trunk-line mileage has expanded. The call charges have been increased with local calls to raise additional revenue.

171. A comparison of rents, local and trunk-line calls charged in 1915, 1939-40 and 1951-52, is attached as Appendix No. 10.

172. The Department described to the Committee the advantages and disadvantages of the flat-rate and the measured-rate systems. The main points made were that—

- (1) a flat-rate system would mean an increase in the volume of calls (i.e., calling rate) of up to 25 per cent. (for no increase in revenue) and this would require an increase in the Department's plant, equipment and buildings (estimated at over £4,000,000);
- (2) a measured rate meant that each user paid rental as a contribution towards the maintenance of the capital equipment of the service and then for the number of calls which he actually made and a flat rate would mean a substantial addition to the annual costs incurred by many subscribers;
- (3) economies under a flat-rate system could amount to £750,000 per annum, against which there would be higher running costs for the additional capital equipment and traffic.

173. In the opinion of the Department, the measured rate system is the more satisfactory and equitable.

174. The Department has supplied the Committee with information on the charges made for telephone services in other countries and whether they use a flat-rate or measured-rate system. Examples are—

New Zealand, Montreal, Canada, and Los Angeles, United States of America (residence service)—A flat-rate system of a rent and no charge for local calls applies.

London and Birmingham, United Kingdom, New York and Los Angeles, United States of America (business service)—A combination of flat-rate and measured-rates systems, the rent including a small number of local calls free, applies.

Capetown, South Africa—A measured service applies.

175. To the inquiry as to the economies possible, and additional costs likely, if the Department were to adopt the practice of the United Kingdom of including in the

flat rate rent the cost of a small number of local calls, the Department stated that—

administrative costs would be increased rather than decreased because—

- (i) It would be necessary to raise the base rentals to the extent required to compensate for the value of the number of calls to be allowed free, and much work would be involved in amending all rental charges and associated records.
- (ii) The preparation of the half-yearly accounts would involve additional work and supervision in most cases.
- (iii) Subscribers who did not think that they had used their quota of free local calls in any accounting period might request that the unexpended amount be allowed as a credit for local calls in subsequent periods and for trunk calls or phonograms, thereby entailing additional administrative work.

There would be no reduction in meter reading time (one of the heaviest costs) under a partial "flat rate" system, although a slight saving might result in the preparation of the accounts in cases where the maximum number of free calls was not exceeded. Accounts would, however, still have to be sent to subscribers to cover rental, trunk line and phonogram charges.

The metering arrangements already in operation would need to be continued to determine which subscribers had exceeded the maximum number of calls allowed free. For the reason mentioned, the Department does not favour a departure from the "measured service" system, which is considered to be the most equitable basis of charging for telephone services.

176. In regard to the trunk-line tariff, the Committee inquired whether costs would be reduced if the number of steps in the present tariff were reduced or if one tariff were used for calls at all hours instead of different tariffs for the periods of 9 a.m. to 6 p.m. and 6 p.m. to 9 a.m. The Department said that this simplification—

would not affect administrative costs other than to entail some expense in effecting the alteration to the scale. From an operating (pricing) standpoint little is involved in applying one scale as against another as Telephonists quickly become familiar with the lists of charges from their particular exchanges to other exchanges to which trunk line calls are made regularly.

INDIVIDUAL FEATURES OF THE PRESENT TARIFF.

177. (a) *Adjustment of Rates.*—The Department explained that—

In examining rate structures for the purpose of formulating proposals to adjust tariffs, careful consideration is given to the relationship of charges to prevailing inseparable costs, the possible effect of any increased charges on public demand for facilities, and the extent to which such demand which might affect the revenue beneficially, could be stimulated by delaying any otherwise justifiable increase and the importance of providing relatively cheap service in country districts.

178. The Department went on to say that it had never been the practice to regard the individual services of the Telephone Branch, or of any of the Branches as services which "paid their way" because of the amount charged for them.

It has never been the practice to regard the tariff structure as being a medium designed to ensure that each branch—Postal, Telephone and Telegraph—is operated in watertight compartments and successive governments have rather adopted the principle of treating the Post Office results as a whole, and in some cases higher or lower charges have been adopted in the services of the individual branches irrespective of their financial position, so long as the objective of a satisfactory overall result was obtained.

179. (b) *Rates for Particular Services.*—Having discussed whether the particular services provided by the Telephone Branch, or the particular charges made, are justified by the costs involved, the Committee makes the following comments:—

180. (i) *Rents and Capital Costs.*—The principle behind the rent charge is that there are recurring costs which must be met irrespective of the use made of the service (e.g., interest and exchange, maintenance) and that all subscribers should contribute to them. The Department stated that this relationship is a general one only and rents are not adjusted by the Government specifically with an eye to capital costs.

181. The relationship of rents to capital costs is a theoretical one, but that is all. The Department said that—

In accordance with government policy, concession rates are applied to telephone services in country districts in the land and the development of primary production. To supply services in rural areas on the basis of the charges corresponding with the costs would give rise to widespread dissatisfaction and could impose real hardship on a section of the community, almost wholly devoted to primary production.

The following table shows the percentage of telephone users in each population group and the rent charged for a telephone in a residence. The smaller groups are country centres and the two large groups cover the metropolitan areas—

Number of Subscribers connected to Exchange.	Annual Rental for Residence Telephones.*	Percentage of Total Number of Subscribers in each Group.
1-200	£ 4 7 0	10.65
201-1,000	5 0 0	11.01
1,001-2,000	6 0 0	5.10
2,001-5,000	7 0 0	3.92
5,001-10,000	7 0 0	0.69
6,001-10,000 (radius 5 miles)	8 10 0	1.11
10,001+(radius 10 miles)	10 5 0	10.71
10,001+(radius 15 miles)	11 0 0	44.30

* Within a 2-mile radius of the exchange—and for an exclusive service.

That is, the rents are fixed on a sliding scale to afford a concession to the country-dweller and any relationship to capital costs, if at all, would have to be in total only.

182. (ii) *Higher Rent for Business than Residence Telephones.*—Generally speaking, the cost of providing a business service would be dearer than a residence service, but, while the charges recognize this, it would be wrong, the Department has stated, to say that the relationship between the charges accurately reflects the actual costs of each.

183. (iii) *Higher Charges for larger Networks.*—The Department has explained that unlike water and electricity services, the costs of the telephone service increase with the increase in the size of the network. The greater number of lines mean that additional exchanges and outdoor plant and staff are needed to cope with the greater variety of connections between individual subscribers which become possible as the subscriber network expands.

184. The rental scale, in principle, is designed to meet this situation, but the steps and divisions in it are arbitrary.

185. (iv) *Extra Mileage Charges.*—The extra costs to be covered are the interest on the cost of the line beyond a radius of 2 miles from the exchange and the maintenance and depreciation involved.

186. Under present conditions, the extra mileage charges do not cover the overall costs.

187. (v) *Charges to the Press for Trunk-line Calls.*—The charges to the Press for trunk-line calls are less than those for the ordinary user of the trunk-line telephone services. The Press is charged the cheaper night rate and is allowed a period of five minutes instead of the usual three minutes.

188. The Department estimates the value of this concession at about £5,000 per annum.

189. (vi) *Public Telephones.*—The Committee was informed that when the charge for local calls was fixed at 1d. in December, 1915, the charge for a public call was fixed at 2d. Now, when the local calls cost 2½d. (country areas) or 3d. (metropolitan and Newcastle areas), the public telephone charge has remained at 2d. per call.

190. No ground rent is paid in respect of public telephones and the Department has stated that the costs of maintenance, repairs, &c., would be the same in the case of a private telephone. Yet, despite this, and the significant change in the relationship between the charges for the two types of calls, the Committee has been assured by the Department that "public telephones are paying for themselves".

191. The Department is investigating means of enabling a higher charge to be made for public telephone calls.

192. (vii) *Particular Person Calls.*—A special charge is made if a caller requires a trunk-line call for a particular person. The charge varies from 5d. to 1s. depending on the distance of the call. The Committee has been assured by the Department that, overall, this service also pays its way.

(2) Staffing.

193. The Department has informed the Committee that for staffing the Telephone Branch, formulae are used which indicate staff required for a given work-load. The formulae are based on Australian and overseas experience, and have been agreed by the Department and the Public Service Board. The procedure is explained in the following departmental submission—

BASIS FOR CONTROL OF STAFF PROVISION—TELEPHONISTS.
The basis for determining the operating strength at an exchange is the actual number of calls handled during each hour or half hour as revealed by a "base" record which is assembled for a full week, including Saturday and Sunday. The calls are converted to a common unit representing sixteen seconds of an operator's time by the use of a value or coefficient for each class of call. The work which an experienced Telephonist should complete is assessed at 225 units per hour or 112.5 units per half hour. A roster is constructed to provide the number of Telephonists required each hour or half hour based on the business handled on the record days. The roster must also conform to employment conditions contained in the relevant Arbitration Award. A proposal to increase the staff at an Exchange must be supported by staffing records justifying the increase sought on the basis of a commensurate increase in the volume of calls handled.

MEASURES ADOPTED TO SEE THAT STAFF IS ADJUSTED TO ACTUAL REQUIREMENTS.

For Exchange staffs, *Staffing Check Records* are taken at frequent intervals. These indicate the actual volume of the main classes of calls handled each day and enable a prompt check of the adequacy or otherwise of the existing staff provision to be made. The check records are evaluated at the State Head Office to obtain the total daily staff units and the results are graphed.

Co-efficient Records—to review regularly the correctness of the average co-efficient used for the particular exchange. Additional reviews are made when alterations to equipment, operating instruments and/or trunk line provision affect the proportion of the different classes of calls handled at the exchange. The co-efficient records are evaluated at the State Head Office and the average co-efficient compared with that of the previous records. The latest figure is used in connection with future check and base records. The results of the "check", "co-efficient" and "base" records are examined by a responsible officer and where it is evident that a rise or fall has been sustained appropriate action is taken to increase or reduce the strength of the operating and/or supervisory staff at a particular centre. When an adjustment as shown by the "check" records has been made a "base" record is assembled to confirm the variation and ascertain the revised distribution of the hour to hour business for the preparation of an amended roster.

194. Office staffs are dealt with by the Public Service Board individually.

195. The larger sections of staff are dealt with by the Board in groups. Each year the prospects of the branch, the staff position and estimated staff requirements, are settled with the Board. The Board finally determines the total number of positions in each group concerned. These positions are not filled until the need actually exists.

196. For the control of staffing, the Post-master-General's Department is regarded as a department and subject to the Public Service Board's oversight. The

Board's approval is required for all staffing proposals. The Committee doubts whether the Board can hardly be expected to have more than a general idea of the staffing needs and principles of the Department. It seems to the Committee that staffing is another illustration of the conflict between the two views of the character of the Department: that which regards it as an ordinary Department and that which treats it as a business undertaking. If it is a department, an "establishment" following conventional Public Service lines would be fixed by the Board; if it is a business undertaking, the business need for self-determination has to adjust itself to the provisions of the Public Service Act, and accordingly the "group scheme" has been adopted by which the Board agrees to staffing, in general terms, leaving the Department free to make appointments where necessary.

197. The system ensures, at the same time, that the establishment of authorized positions is adjusted regularly to the actual needs of the Department.

198. The Department provided the Committee with statistics of operating staff handling telephone traffic at a number of exchanges of different size to demonstrate its staffing methods, and a graph to illustrate the average output of operators in telephone exchanges. This graph is attached as Appendix No. 11. The Department stated that the output is now as good as it was in 1936-37. For the year 1947-48 it was not as good as in 1936-37. The reasons for the lower output in 1947-48 were the higher wastage of staff (about 100 per cent.) and the consequent larger proportion of inexperienced operators.

Publications.	Contractor.	Period of Contract and Basis of Payment to Department.
Sydney metropolitan New South Wales country Melbourne metropolitan Victoria country	Edward H. O'Brien Pty. Ltd., 50 Young-street, Sydney; and 425 Collins-street, Melbourne	Five years commencing with the November, 1951, issue on basis of payment to Department of an approved percentage of the gross collections
Brisbane metropolitan Queensland country South Australia Tasmania	Directorates (Aust.) Ltd., Head Office, 66 Rundle-street, Adelaide	Four years commencing with the November, 1950 (Brisbane), and August, 1950 (South Australia and Tasmania), issues on basis of a specified amount per page of advertising matter or the cost of printing the advertising matter plus a fixed sum per page, whichever is the more favorable to the Department
Western Australia	Country Publicity Co., 177 St. George's-terrace, Perth	Four years commencing with the August, 1950, issue on basis of payment to Department of an approved percentage of the gross collections

203. The contracts fix the maximum prices which can be charged by the contractors for advertisements in the directories, and higher prices cannot be charged without the approval of the Department.

204. Suitable arrangements have been made, the Committee is informed, for the collection of payments from the contractors.

205. For printing the directories, contracts are let on the basis of a rate per page per 1,000 copies (Sydney and Melbourne) and per 100 copies (other directories). This rate is adjusted with movements in the price of paper and with wages. The contracts are for five-seven years.

206. The Department decides the classes of type to be used and the style and arrangements of subscriber-advertiser's entries in the directories.

207. The contracts have shown a surplus to the Department; for example, over the ten years 1943-44 to 1952-53, the cost of printing the directories has been £2,275,606 and the revenue from the contractors £2,432,094—an overall surplus of £146,488.

208. In 1953-53, the cost of printing was £542,440 and the revenue £553,147—a surplus of £10,707 (2 per

(3) International Comparisons.

199. The Committee sought and obtained a comparison between the tariffs for rents, calls and trunk line services of the Department with those of overseas telephone services. The figures are printed in Appendix No. 13.

200. The Department felt that—
The rates for postal, telephone, and telegraph services in Australia compare favorably in some cases with corresponding tariffs in other English-speaking countries, whereas in other instances the Commonwealth charges are higher.
A true comparison of the rates is hardly practicable, having regard to the different conditions which prevail in Australia and other countries, including wages and living costs, the volume and distribution of population, the standard and frequency of mail services, the nature and extent of unprofitable facilities provided in accordance with National policy and so on.

201. The Committee thinks that it is very difficult to make a worthwhile comparison of charges and tariffs for telephone services in different countries. Price levels, living standards, population density, geography, all play an important part. The most that can be said is that the charges for the Department's telephone services do not appear to be unreasonable by comparison with the charges for overseas services.

(4) Advertising in Telephone Directories.

202. Document 59 submitted to the Committee summarized the details of the control of advertising in the telephone directories in this way—

The rights to arrange for the insertion of advertising matter in official telephone directories for the Commonwealth and to receive payment therefor are let by public tender and details of the current contracts are shown hereunder—

cent.). This result was achieved after a loss in 1961-52 of £9,740 (1.9 per cent.) which was attributed to very steep increases in the cost of paper. In 1952-53, a revised basis of payments by the contractors and a new type for metropolitan alphabetical entries (giving savings estimated at £63,000) enabled the surplus mentioned to be obtained.

209. Upon examination of the details of the receipts from contractors and printing costs, the Committee saw that, of the three contracts, one showed a net loss over printing costs of £53,000 (12 per cent.), and the other two a surplus in each case over those costs of £50,000 (90 per cent.) and £13,000 (93 per cent.). The Committee inquired why each contractor was not required to "pay its way" and why the advertisers in some directories were required to make up the losses in the other directories.

210. The Department claimed that—

The amounts offered by the Contractors for advertising rights are not accepted unless they are sufficient to cover the costs of printing the advertising matter and provide a satisfactory profit to the Department.

Although a loss is sustained in connexion with the Sydney and Melbourne directories, it is important to be kept in mind that in these publications there is a full list of all business, trade and professional subscribers grouped under appropriate classifications. Even if advertising were not permitted, it is considered that this Classified Section would be necessary in the interests of the public generally. Therefore, it would be hardly equitable to require the Advertising Contractor to charge rates for advertisements and to enter in this Section which would enable the total printing cost of the complete directory to be covered by the payments made by him to the Department and the revenue received by the Post Office from the entries.

As it is in the interests of the Advertising Contractors and of the Department to sell the maximum space at the most favorable rates and, as the Post Office secures the best possible return by public tender from the Advertising Contractors, it can be assumed that for each particular directory the greatest possible amount of revenue from advertising accrues to the Post Office. The fact that in some cases this revenue may not meet the costs of production of the books as a whole is recognized, but, because of the circumstances explained, and as cost factors vary from State to State, it is not possible to guarantee that the receipts from advertisements and other chargeable matter for each directory will meet the total costs of that publication.

211. In regard to the assumption stated in the third paragraph quoted above, the Committee notes that when tenders for advertising rights are called, the Department states the maximum prices chargeable to advertisers. The Department determines these prices in the light of previous tender prices, costs and the value of the books as advertising media.

212. The difference in the financial results of the contracts referred to in paragraph 209 is partly referable to the cost of the free entries in the classified sections in the directories for Sydney and Melbourne. Free entries are not made in the directories of the other metropolitan or country areas. If these entries were not made in the Sydney and Melbourne directories, presumably a large profit would be made there also.

213. The difference is due in part to the wide variations in the prices charged by the advertising contractors for advertisements in the directories in the various States.

214. The Department submitted a further statement to the Committee to explain the position of the free entries in the Sydney and Melbourne directories—

Complete Classified Sections were incorporated in the Sydney and Melbourne directories in 1945 following the receipt of a favorable offer from the Advertising Contractor for the New South Wales and Victorian books. Each subscriber who leases a telephone service at the "Business" rate is given a free listing in ordinary type under a selected classification. Additional entries, block type entries and advertisements may be inserted by any subscriber subject to payment of the charges made by the Advertising Contractor. In cities of comparable size to Sydney and Melbourne in many other countries, Classified Sections, or separate Classified Telephone Directories are issued. The Sections in Sydney and Melbourne are regarded as an essential part of an efficient telephone service.

Until recent years the telephone networks in Brisbane, Adelaide, Perth and Hobart had not developed sufficiently to justify serious consideration of the question of publishing complete Classified Sections and, moreover, during the war and post-war years there was a shortage of labour and paper.

When tenders were invited in 1949 for the rights to supply advertising matter for insertion in the Queensland, South Australian, Western Australian and Tasmanian telephone directories for a further period of up to five years, offers were sought in respect of the inclusion of advertising matter in complete Classified Sections covering Brisbane, Adelaide and Perth "Business" subscribers. No offers were received, however, which would ensure that the Department would be adequately recompensed for the extra costs and work involved in printing free entries in the Classified Sections.

Tenders for the advertising rights in Queensland, South Australian, Western Australian and Tasmanian directories were recently invited for a fresh period commencing with the 1954 issues, and the most favorable offers have been accepted for a term of five years in each case. A special condition is being inserted in the contracts which will enable negotiations to be conducted with the Contractors, if desired, for the inclusion of complete Classified Sections (with free entries) in Brisbane, Adelaide, Perth and Hobart directories instead of the existing Classified Advertising Sections.

The matter will be kept under review in the light of developments, but it is considered that the introduction of Classified Sections in the directories concerned is not likely to be justified for some time, having regard to the financial aspect to the Department, the prices which Advertising Contractors might have to charge to advertisers in order to make the arrangement financially sound and the difficulties which might be encountered in obtaining additional supplies of suitable paper.

215. The Committee agrees with the Department's policy of covering the full cost of the directories by receipts from advertising. Its misgivings are directed to the striking variations in the results of the contract shown by the very large percentage surplus made on the directories of all States except New South Wales and Victoria. If the costs of all the directories are to be covered by advertising receipts, such surpluses are necessary to pay for the cost of the free entries in the Sydney and Melbourne directories. The Committee feels doubts as to the equity of this arrangement, both from the aspect of the absence of free entries in the classified sections of metropolitan directories other than Sydney and Melbourne, and from the aspect of the rates charged. The Committee suggests that the Department might give further consideration to these two aspects; the Committee has discussed.

(5) Profit and Loss Account 1951-52.

(a) COMPARISON BETWEEN PROFIT AND LOSS ACCOUNTS OF 1939-40 AND 1951-52.

216. The Profit and Loss Account of the Telephone Branch for 1939-40 (the first year of the war) showed a surplus of £1,638,881 and that for 1951-52 a surplus of £2,107,345.

217. The Committee compared the expenditure under the various headings in 1939-40 and 1951-52 by amounts and percentages of expenditure, but, first, it discarded the expenditure on superannuation and interest and exchange. These were eliminated to place the figures for the two years on a reasonably comparable basis.

COMPARISON OF EXPENDITURE BY TELEPHONE BRANCH (EXCLUDING SUPERANNUATION AND INTEREST AND EXCHANGE).

	1939-40.		1951-52.	
	Amount.	Per cent.	Amount.	Per cent.
Operating and general expenses ..	£'906,179	33.1	£'900,000	35.0
Repairs and renewals ..	3,044,503	50.3	16,585,000	60.6
Miscellaneous* ..	577,100	10.0	2,053,000	7.5
	5,410,000	100.0	27,547,000	100.0

* Including superannuation and interest and exchange.

218. The expenditure has increased substantially through the expansion of business (691,088 instruments at 30th June, 1940, to 1,300,790 instruments at 30th June, 1953) and because of rises in wages and salaries rates and in prices of materials. The proportion of each of the three expenditure groups has been fairly uniform, with a small increase in the proportion of operating and general expenses. The Department thought that some of the major factors causing this result would be—

- the introduction of penalty rates for telephone operating staff;
- the altered basis of providing supervisory staff at exchanges;
- the re-organization of the Telephone Branch;
- the introduction of a comprehensive award for non-official Postmasters;
- the liberalizing of the conditions under which hours of attendance are extended or made continuous at small manual exchanges.

In addition, repairs and maintenance have probably fallen a little into arrears (see paragraph 74).

218. For example, the average total payment made to telephonists, including overtime, penalty rates for shift work and excess travelling time was—

Designation.	Total.		Percentage Increase.
	1950-51.	1951-52.	
Telephonist	£ 101	£ 571	205

(b) PROFIT AND LOSS ACCOUNTS FOR 1951-52 FOR EACH STATE.

(Unit of comparison: per subscriber's line.)
219. The Committee had already asked for a statement setting out profit and loss accounts for the Telephone Branch in each State on a unit basis. The object of the Committee was to have accounts showing the revenue and expenditure for each State for a specified unit so that the States' figures could be fairly compared.

220. The Department submitted a series of statements^(a) which set out State comparisons on a unit basis as the Committee desired. The unit selected by

the Department was "a subscriber's line". This included exclusive services and duplex services but excluded public telephones. The Department felt that this unit was the best available for the purpose and that unit comparisons could not have been prepared on a more satisfactory basis.

221. At the same time, whilst it did not object to the unit comparison, the Department pointed out that—
We do not like State comparisons because we do not consider they serve any useful purpose. We believe that the proper way to stimulate the people is to give them service results.

On the other hand, the Committee thinks that the emphasis should be upon stimulating the "official", and to that end it turns to State comparisons. As far as the stimulus of the people is concerned, there is an added value in such a presentation (vide paragraphs 162 and 165 above). The results are easily understood by the public, a view that is supported by the explanations of variations in unit costs which the Department is able to supply.

222. The States' results for 1951-52 per subscriber's line were—

STATES' RESULTS 1951-52 PER SUBSCRIBER'S LINE.

Service.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
Exchanges—							
Expenditure	£ 23.8	£ 10.5	£ 23.0	£ 21.2	£ 21.0	£ 22.4	£ 21.0
Revenue	25.0	23.6	20.3	20.0	23.1	17.4	23.6
Average profit/loss ..	2.2 profit	4.1 profit	2.7 loss	0.3 loss	1.2 profit	5.0 loss	1.7 profit
Trunk lines—							
Expenditure	11.1	8.7	12.0	13.8	12.3	20.0	11.1
Revenue	11.6	9.6	15.2	13.6	11.0	14.1	11.7
Average profit/loss ..	0.4 profit	0.9 profit	2.3 profit	0.2 loss	0.4 loss	2.8 loss	0.6 profit
Exchanges and trunk lines combined—							
Expenditure	34.0	28.2	35.0	35.0	34.3	29.3	33.0
Revenue	37.5	33.2	35.0	34.6	35.0	31.5	35.3
Average profit/loss ..	2.0 profit	5.0 profit	0.3 loss	0.5 loss	0.7 profit	7.3 loss	2.3 profit

NOTES.—(1) Revenue and expenditure in connexion with rentals, calls, public telephones and miscellaneous are grouped under the general heading "Exchanges".
(2) The separation of exchange and trunk lines operating expenditure is made according to proportions laid down for each exchange, lines being determined by the ratio of local to trunk line business.
(3) For fixed office and District Telephony Office staffs, as well as for Telephone Accounts staffs and the cost of printing the telephone directories, a division of the expenditure is made on the basis of exchange operating 45 per cent. and trunk line operating 55 per cent.

223. It will be seen that, on this basis, a surplus was shown in New South Wales and Victoria in both services, deficits in South Australia and Tasmania, and deficits and surpluses in Queensland and Western Australia with a resulting net deficit in Queensland and surplus in Western Australia.

224. An examination of these figures is set out in the following paragraphs.

225. (i) Comparisons of Revenue per Subscriber's Line 1951-52.—The following table summarizes the revenue per subscriber's line in 1951-52 from rents, local calls, public telephones and miscellaneous—

1951-52.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.
Rental	£ 12.12	£ 11.72	£ 0.93	£ 10.88	£ 10.91	£ 8.83
Calls	12.12	10.30	0.53	9.74	10.80	7.54
Public tele. phones ..	1.10	0.89	0.07	0.87	0.86	0.68
Miscellaneous .. .	0.54	0.65	0.50	0.42	0.54	0.43
Total	25.97	23.66	20.33	20.91	23.11	17.38

226. The Department explained that, within the limitations which it placed on State comparisons, the

(a) Documents Nos. 31, 35 and 39 presented by the Postmaster-General's Department.

variations in revenue per subscriber's line could be traced to the factors, amongst others, discussed hereunder.

227. The annual rental is £11 a year for a residence telephone in Sydney as compared with £8 10s. a year in Hobart. Further, rents are much lower in country areas than in metropolitan areas, so that the States with the higher proportion of telephones in their metropolitan areas should have higher revenue per subscriber's line than States not so situated. This is proved by the facts that, in New South Wales, 63 per cent. of telephones are in the metropolitan area, in Hobart, 37 per cent. Again, if there are, in one State, more extensions to a subscriber's line than in another, more revenue on a line basis should be received. The Department estimated that this would favour New South Wales (1.42 stations to a line) by about 7s. 8d. to 10s. a year per subscriber's line as compared with Tasmania (1.34 stations to a line). The Department stated that the revenue per subscriber's line from rent was £12.12 in New South Wales, as compared with £8.83 in Tasmania.

228. Local call revenue is affected by the average charge for a call and the volume of calls, i.e., the calling rate. The local call charges are 3d. a call in the metropolitan areas and 2½d. a call in the country areas. As New South Wales has a larger proportion of calls in the metropolitan area than Tasmania, it should—

and does—receive a higher revenue per subscriber's line from calls. The calling rate also favours New South Wales—1,030 calls per line, against Tasmania, 805 calls per line. The Department estimated that these factors

resulted in a revenue per line in New South Wales of £12.12, compared with £7.54 in Tasmania.

229. Expressed in figures, these explanations are summarized as follows—

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.
1. Proportion of metropolitan services	63 per cent.	65 per cent.	50 per cent.	61 per cent.	64 per cent.	37 per cent.
2. Ratio of stations to lines	1.42 to 1	1.35 to 1	1.35 to 1	1.38 to 1	1.30 to 1	1.34 to 1
3. Proportion of metropolitan calls	86 per cent.	80 per cent.	69 per cent.	83 per cent.	80 per cent.	67 per cent.
4. Annual local volume of calls per line .. .	1,030	916	830	770	805	605
5. Annual volume of calls per public telephone ..	7,702	6,828	4,900	5,693	4,897	2,971

230. The Committee suggests that this information largely explains the low revenue per line which is received in Queensland; only half the telephones are in the metropolitan area; the ratio of stations to lines is

low, as are the proportion of metropolitan calls, and the volume of calls, i.e., the calling rate.

231. Turning to trunk-line revenue, the Department was able to provide the Committee with information on a similar basis as follows—

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.
1. Average annual revenue per line from trunk line calls	£11.5	£9.6	£15.2	£12.6	£11.0	£14.1
2. Average revenue per trunk line call	3s. 6d.	2s. 9d.	3s. 3d.	3s. 2.7d.	3s. 1.4d.	2s. 2.0d.
3. Average number of calls per subscriber's line— Metropolitan	17	23	20	20	21	48
Country	163	161	154	170	174	172
State	67	69	92	84	76	129
4. Proportion of country lines to total lines in State ..	37.1 per cent.	35.0 per cent.	50.1 per cent.	30.4 per cent.	39.3 per cent.	62.7 per cent.

It will be seen that factors which operated adversely for Queensland with local calls, act in its favour for trunk-line revenue.

number at the distant terminal. Therefore, each call utilizes local exchange equipment in the originating and distant networks and the dialling and signalling equipment at each end. This being so, it is impracticable without developing a complicated and costly bookkeeping system to take care of all the elements in the cost of completing each of millions of calls. For "through" traffic the position is even more complex, and the cost of "through" calls in the various States is not ascertainable.

232. The Department has pointed out to the Committee that the figures for trunk-line revenue do not allow for interstate calls where the revenue is collected and retained by the State of origin, although some of the cost of the call is borne by the State of receipt of the call (and any intervening State). In looking at this factor, full weight should be given to revenue received from outgoing interstate calls as well as the portion of the cost of incoming interstate calls; only the net balance between this revenue and the costs, a credit or a debit, need be considered.

234. The Committee is, therefore, not able to say whether or not the interstate traffic is a material factor in these comparisons.

233. The Department has supplied these comments—
Interstate calls may be established over direct channels, as for instance Sydney to Melbourne or Melbourne to Brisbane, or alternatively over two links, for example Perth via Melbourne to Hobart.
The majority of interstate calls, however, are set up over dialling channels which enable the telephonist at the originating capital city to dial direct to the required telephone

235. (ii) Comparison of Expenditure per Subscriber's Line 1951-52.—The table in paragraph 229 above shows the expenditure in each State for exchange and trunk lines per subscriber's line. In total, the costs in the States of Victoria and Tasmania show a large variation from the figures of the other four States.

236. To provide an analysis of the costs on a "per subscriber's line basis," the Department prepared a further statement showing the working expenses in each State in total and on a unit basis. This table is as follows—

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.
Operating expenses—						
Total	£ 3,865,940	£ 2,764,644	£ 1,422,051	£ 980,401	£ 487,310	£ 373,041
Per line	10.37	9.44	11.49	12.30	9.45	10.68
Repairs and renewals—						
Total	6,426,403	4,920,396	2,201,370	1,327,072	660,264	639,803
Per line	16.80	12.77	18.61	16.41	18.80	10.05
Administration—						
Total	471,898	284,010	191,028	168,909	83,300	54,747
Per line	1.34	0.98	1.54	2.05	1.62	1.09
Depreciation—						
Total	350,808	234,428	101,454	89,297	40,810	18,024
Per line	1.02	0.77	0.82	1.00	0.79	0.66
Superannuation—						
Total	641,347	664,300	263,000	140,750	117,001	55,767
Per line	1.82	1.03	2.13	1.74	2.35	2.93
Interest and exchange—						
Total	620,504	376,223	185,818	119,020	73,613	37,488
Per line	1.48	1.29	1.47	1.47	1.43	1.53
Total working expenses	12,283,054	9,234,669	4,454,830	2,820,457	1,772,164	1,078,838
Average per line	34.03	28.18	34.97	34.37	34.38	39.27

237. The Department explained that "Operating Expenses" (the first line in the table), represented the cost of operation of calls, which are handled manually, and that operating expenses in respect of calls handled automatically are charged to "Repairs and Renewals" (the second line in the table). It also expressed again its doubts of the value of State comparisons.

238. The Committee has weighed the doubts raised by the Department, but nevertheless it felt that a study of these figures and the examination of the reasons for the variations would be worth while in its attempt to explain the differing circumstances of the branch in each State. The figures collate and express in monetary terms the effect of all the differing factors. After all, each branch is judged in the main by its financial results and in these results due weight is given to the technical equipment of the branch in the States.

239. Explanations provided by the Department on the headings of expenditure of "Operating Expenses" and "Repairs and Renewals" were—

(1) Operating Expenses.

Variations from State to State of the operating expenses arose from—

- (i) the proportion of manually operated services to automatic services;
- (ii) the proportion of local calls handled manually;
- (iii) the number of trunk-line calls originated per subscriber's line;
- (iv) the cost of printing telephone directories; and
- (v) the cost of management.

(2) Repairs and Renewals.

240. The variations in costs under this heading would arise from maintenance expenditure on exchange equipment, exchange cables and conduits, exchange aerial wires, subscriber's instruments, trunk equipment, wires and cables, and so on. The extent to which manual exchanges are in operation would have an effect as would general conditions of pole lines.

241. The Tasmanian figures indicate the highest costs in any State, and the Department further explained the conditions in that State. That State has the greatest proportion of exchanges operated manually, 62 per cent. as against the Commonwealth figure of manual services of 36 per cent. Moreover, in Tasmania, 65 per cent. of the telephone services are in the country—manual operation—and, as a result, it has the highest average number of trunk line calls per telephone service in the Commonwealth.

242. The weather in Tasmania is severe and the terrain difficult. These factors mean that repairs costs are relatively high.

243. On the other hand, Victoria is a compact State, with only 37 per cent. of services connected to manual exchanges and a smaller number (69) of trunk line calls per line. It has advantages in regard to repairs: it has the largest proportion of its wires in cables (94.7 per cent. as against 66 per cent. in Tasmania) and its topography and density of population are advantageous.

(3) Overhead Items of Expenditure.

244. The Committee also sought the reasons for the variations between States in the overhead items of expenditure: "Administration", "Depreciation", "Superannuation", and "Interest and Exchange". The range of variations between States in these items was large and although the individual items were small

compared with "Operating Expenses" and "Repairs and Renewals", in total the overhead was a significant figure. Examples of these variations were—

	Per Subscriber's Line.	
	Lowest.	Highest.
Administration	£ 0.08 (Vic.)	£ 2.00 (S.A.)
Depreciation	0.09 (Tas.)	1.09 (S.A.)
Superannuation	1.74 (S.A.)	2.29 (W.A.)
Interest and exchange ..	1.20 (Vic.)	1.60 (Qld.)

245. The Department explained that there was a tendency for the percentage of administrative cost to be lower in the larger States. In fact, the administrative costs in Victoria were the lowest "per subscriber's line".

246. The figures for the items of "Depreciation" and "Interest and Exchange", were "actual" and not "notional", and reflected the physical conditions of the State concerned. The "Superannuation" figures were also "factual" and the Department was not able to comment on the variations without a careful study of age distributions.

(c) The Limitations of this Approach.

247. The limitations of these figures are apparent. It is not possible to take them as they are to obtain a comparison of operative efficiency. And it is also not possible to make adjustments to them to meet satisfactorily the different circumstances in each State. It is possible to use them, however, to compare the financial results of each State, one period with another, as any business does.

248. Figures of cost of the kind described above have stimulated the Committee to seek reasons for the variations among them. Similarly, the comparison of figures of this nature for one period with those of preceding periods, as well as any differences revealed, also provoke inquiry. In this way, financial tables can be an aid to management and a standing challenge to the Branches "to better the last results" even more than does quality of service results.

PART IX.

TELEGRAPH BRANCH.

1. Comparison of Profit and Loss Accounts of the Branch for 1939-40 and 1951-52.

249. The trading results of the Telegraph Branch in 1939-40 and 1940-41 compared with those of 1950-51 and 1951-52 are—

Year.	Earnings.	Results.		Percentage Results to Earnings.
		Surplus.	Deficit.	
1939-40 ..	£'000s. 1,688	£'000s. 108	Cr. 6.76	
1940-41 ..	1,605	105	Cr. 6.19	
1950-51 ..	5,549	..	Dr. 14.72	
1951-52 ..	5,382	..	Dr. 14.10	

250. This table summarizes the drastic change which has taken place in the fortunes of the branch—from one of a surplus of 6 per cent. in the pre-war years to a deficit of 14 per cent. over recent years. The Department pointed out that losses in Telegraph Branches are not now unusual. Many European telegraph services are being operated at a loss. The British Post Office is losing on its telegraph service and recently the United Kingdom Select Committee on the Estimates

examined and reported^(a) on this branch of the British Post Office. The report summarized the position in the United Kingdom as follows:—

It will be seen that since 1938-39 the deficit on ordinary inland telegrams has risen steadily from £1 million to £4.5 million (estimated) in 1951-52. During the same period the loss per telegram has increased from 5.1d. to 32.8d. This means that whenever a member of the public sends an ordinary inland telegram, users of other Post Office services subsidize him or her to the amount of just under 2s. 6d. The steady increase in the deficit on the service and in the loss per telegram has been accompanied by an equally consistent decrease in the number of telegrams sent, which has fallen from 48,200,000 in 1938-39 to 34,600,000 (estimated) in 1951-52. Had the number of telegrams sent remained at the 1938-39 figure, the present rate of deficit would have been considerably greater.

CAUSES OF THE DEFICIT.

The causes of this mounting deficit are clear enough. The Telegraph Service has long lain, as the Bridgeman Committee put it, between the upper and nether millstones of an expanding Telephone Service and an efficient Postal organization. Since the war, the difficulties have been aggravated by greatly increased staff costs. These have been particularly severe in the case of the Telegraph Service, which is now compelled to employ higher grades of staff for delivering telegrams than formerly. Staff costs per telegram, which were 11.4d. in 1938-39, are estimated to amount to 42.2d. in 1951-52.

The rise in staff costs affects particularly the processes of the transmission and the delivery of telegrams, both of which are closely dependent on wage rates. In the field of transmission, the Post Office hope to achieve some economy through the use of the automatic teleprinting switcher network, which is now being installed, and by which it is hoped to save about £500,000 a year at present traffic levels. Delivery costs, however, are expected to remain high, and even to increase, so long as the present standards of the service are maintained.

251. The Committee compared the main heads of expenditure per telegram in 1939-40 and 1940-41 with those in 1950-51 and 1951-52 and the results are as follows:—

	1939-40.	1940-41.	1950-51.	1951-52.	Percentage Increase since 1939-40.
	d.	d.	d.	d.	
Operating and general expenses ..	12.6	12.2	31.6	44.5	+ 253
Repairs and renewals ..	2.7	2.7	4.6	6.9	+ 156
Sub-total ..	15.3	14.9	36.0	51.4	+ 238
Miscellaneous ..	3.3	3.1	5.1	7.3	+ 121
Total ..	18.6	18.0	41.1	58.7	+ 216
Number of telegrams	'000s. 10,696	'000s. 21,184	'000s. 37,181	'000s. 29,706	+ 56

The cost of "Operating and General Expenses" (mainly wages and salaries) increased by 253 per cent. between 1939-40 and 1951-52 and "Repairs and Renewals" and "Miscellaneous" by the smaller percentages of 156 per cent. and 121 per cent. respectively. Overall, the percentage increase per telegram was 216 per cent. The Committee was provided with the following explanations for the increases:—

252. (a) *Wages.*—Of the running costs of the Telegraph Branch, about four-fifths are staff costs. This is because the transmission of telegrams is largely a manual operation, while the capital investment in the Telegraph Service—about £4.5m. at 30th June, 1952—is low by comparison with the Telephone Ser-

vice. The costs of repairs and renewals, interest and depreciation, are not the important factors they are in the accounts of the Telephone Branch.

253. During the period 1939-40 to 1951-52, wage rates increased threefold although the hours worked per week remained the same at 36½ hours. For example, the actual minimum wage rate of a Telegraphist at 30th June, 1940, was £220 a year and at 30th June, 1952, £668. The increased wages costs were a heavy charge on the branch accounts.

254. (b) *Adults for Delivery Service.*—The Department stated that a large number of adults was employed for internal circulation duties in Sydney, Melbourne, Brisbane and Adelaide. In addition, the Department had not been able to keep up its staff of boys for delivery of telegrams, but had to employ a relatively large number of motor cyclists for this purpose. This was particularly the case in Queensland, New South Wales and Victoria. Figures to illustrate this point are as follows:—

	Motor cyclists employed on telegram delivery at 30th June, 1952.
New South Wales	13
Victoria	39
Queensland	50
South Australia	12
Western Australia	5
Tasmania	109
	199

255. The higher adult wages resulted in the costs of delivery and internal circulation increasing to a greater degree than would have been the case if the increases had been only in the wage rates for boys.

(c) Chief Telegraph Offices.

256. The estimated cost of the delivery of telegrams at the Chief Telegraph Offices for 1939-40 and 1951-52 are set out to illustrate what has occurred—

	1939-40.		1951-52.	
	d.	d.	d.	d.
Sydney	3.40	17.63	Adults employed extensively for delivery work	
Melbourne	4.10	11.38		
Brisbane	2.01	12.31		
Adelaide	2.05	7.92		
Perth	1.96	8.69		
Hobart	2.05	10.51		

257. On the other hand, the output of the telegraphists has increased. The Department submitted a graph of the average hourly output per telegraphist at the Chief Telegraph Offices for certain years. The graph is based on the monthly record of hours actually worked and the "load" moved.

258. The graph showed that the average hourly output per telegraphist was about 355 units (each of five words) in 1939-39, 230 in 1950-51 and about 307 in 1951-52. The increase in output was attributed to the increasing use of the direct printing machine system.

259. Furthermore, during the war years, and up to 1948-49, the channels on many routes were overloaded and staffs were insufficient to cope with the pressure of work. As a result, although the output of units increased, per telegraphist because of the continual backlog of messages awaiting delivery, the grade of service declined. The branch makes studies each year of the

^(a) Report of the United Kingdom Select Committee on the Estimates: The Post Office, presented 22nd July, 1953.

grade of service given and a comparison between the results of these studies for the States in 1939-40, 1948, 1952 and 1953 is—

PERCENTAGE OF TOTAL TRAFFIC LOAD DESPATCHED WITHIN PERMISSIBLE TIME LAG.

State.	June, 1940.		March, 1948.		October, 1952.		March, 1953.	
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	
Sydney ..	75	37	66	63	68	68	68	
Melbourne ..	78	33	66	63	68	68	68	
Brisbane ..	84	62	77	75	75	75	75	
Adelaide ..	83	68	78	78	78	78	78	
Perth ..	83	53	76	68	68	68	68	
Hobart ..	68	70	81	83	83	83	83	

Note.

(a) Permissible time lag is the maximum period within which it is expected that normal traffic shall be despatched from time of judgment or receipt and represents fifteen minutes on major routes.

(b) The particulars are based on an examination made of the traffic for one day in each of the months shown. Therefore, they represent only the grade of service given on that particular day over the State. The telegraph channels cover a very wide field and are subject, of course, to interruptions arising from adverse weather conditions and abnormal causes, and consequently the results are necessarily subject to considerable variation.

(c) Reason for marked variation October-March, 1953. Internal circulation equipment inadequate for expanded load, representing 80 per cent. in Sydney and 51 per cent. in Melbourne. Installation of modern equipment planned, but space difficulties have caused delay in its provision.

CIRCULATION OF TRAFFIC WITHIN CHIEF TELEGRAPH OFFICES: AVERAGE TIME LAG ON ORIGINATING, TERMINATING AND THROUGH LOADS. (A COMPONENT OF THE OVERALL PERMISSIBLE TIME LAG.)

Chief Telegraph Office.	1939-40.						1952-53.						Reasons for Marked Variations.
	Originating.		Terminating.		Through.		Originating.		Terminating.		Through.		
	Mins.	Mins.	Mins.	Mins.	Mins.	Mins.	Mins.	Mins.	Mins.	Mins.	Mins.		
Sydney ..	2.1	4.4	2.6	9.1	8.4	8.4	2.1	4.4	2.6	9.1	8.4	Internal circulation equipment inadequate for expanded load, representing 80 per cent. in Sydney and 51 per cent. in Melbourne. Installation of modern plant planned but space difficulties have caused delay in its provision.	
Melbourne ..	3.0	6.1	3.4	5.4	6.2	6.5	2.7	6.1	3.4	5.4	6.2		
Brisbane ..	2.7	6.1	2.1	4.2	5.4	4.0	2.7	6.1	2.1	4.2	4.0	The expansion in load (now 60 per cent. above the 1939-40 level) necessitated the introduction of arrangements which involve more handlings and pre-see time lags. It is proposed to install belt distribution systems to expedite the movement of traffic, but lack of space has caused delay.	
Adelaide ..	2.8	0.2	2.7	2.5	3.0	2.9	2.8	0.2	2.7	2.5	2.9	Improved circulation equipment installed Improved circulation equipment installed Improved circulation equipment installed	
Perth ..	3.1	0.8	3.6	2.4	1.9	2.3	3.1	0.8	3.6	2.4	2.3		
Hobart ..	1.0	6.1	1.1	1.0	1.0	2.0	1.0	6.1	1.1	1.0	2.0		

Note.—The details are based on snap checks daily and are regarded as reasonably representative.

261. The branch claimed that the position in the war and post-war years was unavoidable in view of the turnover of staff which it had experienced, and the inadequacies of the existing accommodation to house modern equipment. However, the position had improved between 1948 and 1953, although it would not say that it was good. But the Department also stated that in 1939-40 about 40 per cent. of all telegrams had been sent over direct printing machines and that in 1951-52 this proportion had increased to about 61 per cent. Higher outputs are obtainable on machines than on the Morse or telephone alternatives.

262. The Committee was surprised to hear that the delay in the handling of telegrams was so considerable and that, despite the increasing use of machines, the position had not improved more rapidly. The Committee thinks that this is a matter which should receive special attention by the Department.

263. The Committee also noted that although the Department had printed these figures in its pre-war

260. Other studies supplied to the Committee were—
AVERAGE TIME LAG IN CIRCULATION OF TRAFFIC BETWEEN MAJOR TRAFFIC CENTRES.

Routes.	Average Lag in Minutes over 24-hour Day. (Standard Grade of Service over these hours is fifteen minutes.)				Reasons for Marked Variations.
	On Traffic originating from First-named Office.		On Traffic incoming to First-named Office.		
	1939-40.	1952-53.	1939-40.	1952-53.	
Melbourne-Sydney	10.6	12.8	10.6	11.6	
Melbourne-Perth	11.0	11.8	10.8	12.2	
Melbourne-Brisbane	12.5	10.0	11.6	7.0	Improved channels and equipment
Melbourne-Adelaide	11.1	11.0	9.9	7.0	
Melbourne-Perth	11.5	9.7	12.0	6.7	
Sydney-Perth	8.0	11.0	8.6	7.2	
Sydney-Brisbane	10.1	9.9	9.5	10.8	
Adelaide-Perth	7.5	4.9	9.0	3.6	Improved equipment
Brisbane-Townsville	8.1	8.7	10.1	6.7	
Melbourne-Hobart	13.8	6.8	12.4	6.2	
Melbourne-Launceston	8.9	5.8	9.2	6.1	Improved channels and equipment

Note.—The figures are based on an hourly study of the business on the major routes and are therefore representative.

annual reports, it had omitted them in the war years to reduce the size of the report, and it had not resumed publication of them in its reports. The Committee feels that these tables, with pre-war figures as a guide, should be published in the annual report, for they are important to any inquirer who seeks to study the efficiency of the Telegraph Branch.

264. (2) Growth and Decline of Telegraph Business. —The numbers of telegrams, paid and unpaid, between 1939-40 and 1952-53, have been—

Year.	Number of telegrams, in.
1939-40 ..	19.1
1944-45 ..	25.7
1945-46 ..	38.0
1946-47 ..	25.7
1947-48 ..	36.8
1948-49 ..	37.2
1949-50 ..	37.9
1950-51 ..	38.0
1951-52 ..	37.2
1952-53 ..	29.8

265. The table shows that there was a rapid increase in the number of telegrams from 1939-40 to 1944-45 and that the number fluctuated at about that level until 1950-51. In 1951-52 and 1952-53 the number fell steeply.

266. Telegraph rates were increased in July, 1949, and December, 1950, and on 30th July, 1951, to their present levels. Although from the figures in paragraph 264 the earlier increases in rates do not appear to have affected the volume of telegrams to any large degree, the increases in 1951 do seem to have brought some part in the subsequent rapid decline in the volume of the telegram traffic.

267. The Department thought that, in any case, there would have been some diversion of business to airmail. That was a feature of all telegraph services throughout the world. That diversion was also assisted by the increasing use of private leased lines and trunk lines.

268. Some increase in the number of telegrams sent had taken place in the last two or three months and the Department was hopeful of a steadying in the traffic at its present figure.

269. The increased charges have increased the total revenue received by the branch despite the falling off in business:—

Year.	Earnings, £000.
1939-40 ..	1,593
1949-50 ..	4,671
1950-51 ..	6,540
1951-52 ..	6,382

270. The Department's point of view appeared to be that the increased rates brought in a higher revenue, despite a fall in the number of telegrams despatched, and that the financial position was improved to that extent. The figures in paragraph 264 suggest that no large expansion in the number of telegrams could have been expected, and, therefore, the Department's view that the increased charges improved the revenue position is sound.

271. (e) Number of Words per Telegram.—In addition to the falling off in the volume of telegrams, there has also been a decline in the number of words per telegram.

272. The Department explained that this trend was a real one: from eighteen words in 1939-40, the average number of words per telegram was estimated to have dropped to seventeen in 1950-51 and to sixteen in 1952-53. (Press telegrams have not generally shown this trend.) The factors causing this were stated to be the increase in rates, the greater use of leased lines, competition from airmails and from trunk lines.

273. A table illustrating the position is—
PERCENTAGE OF TOTAL NUMBER OF ORDINARY AND URGENT TELEGRAMS ACCORDING TO NUMBER OF WORDS.

	1950-51.		1952-53.	
	Per cent.	Per cent.	Per cent.	Per cent.
Up to 12 words ..	21.8	32.3	17.6	16.9
13 to 16 words ..	33.8	35.7	39.0	35.0
17 to 19 words ..	17.8	15.1	10.0	10.0
20 words and over ..	22.6	16.9	33.4	38.1

274. A further factor was the popularity now being enjoyed by code addresses. For the payment of an annual fee, the Department would register a code address and this would reduce the length of the address required on a telegram. There are now more than 20,000 registered code addresses.

275. Code addresses were first introduced in 1916 with an annual registration fee of £2 2s. It was increased in 1951 to £3 3s. because the Department found that costs associated with the registration of code addresses had risen.

276. (f) Tariff.—During the period 1939-40 to 1951-52, the telegraph tariff increased as follows:—

	1939-40 (up to 10th June, 1949).	1950-50 (from 10th June, 1949).	1951-52 (from 30th July, 1951).
Ordinary telegrams— Within 15 miles radius ..	6d. up to 16 words plus 1d. for each additional word	6d. up to 14 words plus 1d. for each additional word	2s. 3d. for up to 12 words plus 2d. for each additional word
Beyond 15 miles radius ..	1s. 4d. for up to 16 words plus 1d. for each additional word	1s. 4d. for up to 14 words plus 1d. for each additional word	2s. 6d. for up to 12 words plus 2d. for each additional word
Interstate— 1s. 4d. for up to 16 words plus 1d. for each additional word	1s. 4d. for up to 16 words plus 1d. for each additional word	1s. 4d. for up to 16 words plus 1d. for each additional word	2s. 6d. for up to 12 words plus 2d. for each additional word
Urgent telegrams ..	1s. 3d. for 30 words and 1d. for each additional word	1s. 3d. for 30 words and 1d. for each additional word	2s. for up to 24 words plus 1d. for each additional word
Letting telegrams ..	1s. 4d. for up to 25 words	1s. 4d. for up to 25 words	1s. 3d. for up to 24 words plus 1d. for each additional word
Press and broadcasting—On Parliamentary and other Commonwealth proceedings ..	1s. 8d. for up to 60 words	1s. 8d. for up to 60 words	1s. 3d. for up to 24 words plus 1d. for each additional word
Other press telegrams ..	8d. for each additional 60 words or a portion	8d. for each additional 60 words or a portion	1s. 3d. for up to 24 words plus 1d. for each additional word
Within State— 8d. for up to 25 words	8d. for up to 25 words	8d. for up to 25 words	1s. 3d. for up to 24 words plus 1d. for each additional word
11d. for 25-50 words	11d. for 25-50 words	11d. for 25-50 words	1s. 3d. for up to 24 words plus 1d. for each additional word
1s. 6d. for 61-100 words	1s. 6d. for 61-100 words	1s. 6d. for 61-100 words	1s. 3d. for up to 24 words plus 1d. for each additional word
8d. for each additional 50 words or a portion	8d. for each additional 50 words or a portion	8d. for each additional 50 words or a portion	1s. 3d. for up to 24 words plus 1d. for each additional word
Interstate— 1s. 4d. for up to 25 words	1s. 4d. for up to 25 words	1s. 4d. for up to 25 words	1s. 3d. for up to 24 words plus 1d. for each additional word
1s. 10d. for 25-50 words	1s. 10d. for 25-50 words	1s. 10d. for 25-50 words	1s. 3d. for up to 24 words plus 1d. for each additional word
3s. 6d. for 61-100 words	3s. 6d. for 61-100 words	3s. 6d. for 61-100 words	1s. 3d. for up to 24 words plus 1d. for each additional word
1s. 4d. for each additional 50 words	1s. 4d. for each additional 50 words	1s. 4d. for each additional 50 words	1s. 3d. for up to 24 words plus 1d. for each additional word

277. The above table shows that, during this period, the base rate for the ordinary telegram increased from 9d. for up to fourteen words to 2s. 3d. for up to twelve words: an increase of about 250 per cent. if calculated on a cost per word of the maximum number of fourteen and twelve words.

278. This comparison does not take into account the variations in the proportion of ordinary and urgent telegrams, and of the other types of telegrams. A refinement of the comparison in paragraph 277 above is when the revenue per telegram in 1939-40 is compared with that in 1951-52. The figures are—

Revenue * { Ordinary and Shipping	1939-40.	1951-52.	Per-centage increase.
	£'000.	£'000.	
	1,160	3,881	..
	178	1,101	..
Number of telegrams †	1,337,000	5,172,000	287
	19,066	29,769	..
Revenue per telegram	d. 16.83	d. 41.71	148

* From Profit and Loss Accounts, Telegraph Branch, in Annual Report 1939-40 and 1951-52.
† From Appendixes in Annual Report for 1939-40 and 1951-52.

279. The Department stated that urgent rates had, for many years, been double the ordinary rates and no Government in recent years had ever attempted to vary this ratio. Urgent telegrams cost little more than ordinary telegrams because the normal processes of receipt, transmission and delivery went on as for ordinary telegrams. The additional charge purchased priority over ordinary telegrams. It was probable that a profit was made on them. As the proportion of telegrams sent at urgent rates increased from 2.5 per cent. in 1939-40 to 4.1 per cent. in 1951-52, the profit and loss account would be assisted by the additional profit margins.

280. The rates for press telegrams at present involved a substantial concession of up to £250,000 a year when compared with ordinary rates. The Department stated—

"It is very difficult to assess. We have attempted to do it over varying periods of years. Some calculations have been made by very responsible people, but other people have not agreed with them. We have not any firm views on that matter.

Some press telegrams are charged for at half the ordinary telegram rates, and some are charged for at a quarter of that rate. If they were all charged at the full telegram rates, our revenue would go up by £250,000 a year.

281. The Committee noted that no increase in the rate for press telegrams was made during the general review of 1950, although the rates for the ordinary telegrams were then increased steeply, as the following table shows:—

	From 1st July, 1949.	From 1st December, 1950.	From 6th July, 1951.
Base rate for ordinary telegram (within 15 miles)	1s. 3d. for 14 words	1s. 9d. for 14 words	2s. 3d. for 12 words
Base rate for press telegrams (within State)	1s. for 25 words	(Unchanged)	1s. 3d. for 24 words
	(Post and Telegraph Rates Act 1949)	(Post and Telegraph Rates Act 1950)	(Post and Telegraph Rates Act 1951)

282. The Department commented on the position as follows:—

Between 10/6/49 and 30/9/52 the charges for ordinary telegrams were raised on three occasions whilst the rates for Federal Parliamentary press messages were increased once and those for other press telegrams on two occasions.

The differential tariff for interstate ordinary telegrams was removed in 1940, but has been maintained for interstate press telegrams.

The average number of words per telegram, which is an important factor in comparing increases in rates for the various types of messages, prior to the 10th June, 1940, and for 1952-53 were—

	Average Length of Message (Words).	
	Prior to 10th June, 1940.	1952-53.
Ordinary telegrams	18	19
Federal Parliamentary press telegrams	100	169
Other press telegrams—		
Intrastate	221	211
Interstate	164	175

Comparing charges applicable prior to the 10th June, 1940, with current rates, the percentage increases in the charges per word for messages of average length are—

	Per cent.
Ordinary telegrams—	
Intrastate within 15 miles	.. 201
Intrastate beyond 15 miles	.. 208
Interstate	.. 137.5
Press telegrams—	
Federal Parliamentary	.. 112
Intrastate	.. 155
Interstate	.. 129

The volume of press telegrams has been declining for many years just owing to the diversion of press traffic to private-wire channels. For example, in 1939-40, 425,605 press messages were handled by the Department and the revenue derived was £28,948, whereas in 1947-48, 334,011 press telegrams were lodged from which a revenue of £22,750 was received. In 1951-52, 219,977 press telegrams were dealt with from which £127,012 was earned.

... in examining rate structures for the purpose of formulating proposals to adjust tariffs, careful consideration is given, among other things, to the possible effect of increased charges on the demand for facilities and to the extent to which such demand might affect revenue.

It has been the policy of successive Governments to provide facilities for the dissemination of news at low rates.

283. Over this period 1939-40-1951-52 the financial results of the branch have deteriorated. A major cause of this position is that wages, which comprise four-fifths of the cost of operating the branch, have risen steeply and at a much greater rate than has the revenue of the branch. Paragraph 261 shows that costs per telegram have risen by 21.6 per cent. Paragraph 278 shows that revenue per telegram has increased by 148 per cent. The rates themselves, as in paragraph 276, have risen more than the increase in costs and the increase in output described in paragraph 258 has meant reduction in comparative costs, but to offset that, the number of words per telegram has fallen as the more lengthy messages have been captured by the airmail and trunk line services.

284. While it is true that wage rates have considerably increased, that fact should not deter the Department from looking at the general position to see whether other costs have got out of line. In the search for economies and greater efficiency the unit costs and comparisons between periods and States, should be circulated to all branches. The results should be used by both branches and Central Office as a stimulus to further inquiry, and a record made of the results of the investigation and improvements.

2. Comparison of Profit and Loss Accounts of the State Telegraph Branches for 1951-52.

285. The trading results of the State Telegraph Branches were prepared by the Department for the Committee on a unit basis of "per originating telegram" and were as follows:—

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
Expenditure	s. d. 5 5.7	s. d. 4 11.4	s. d. 6 4.4	s. d. 3 9.0	s. d. 4 4.7	s. d. 5 2.3	s. d. 3 1.0
Revenue	4 8.1	4 3.1	4 5.0	4 9.0	4 1.8	4 7.2	4 6.2
Surplus or deficit	0 6.6 deficit	0 8.3 deficit	1 10.8 deficit	1 0.0 surplus	0 2.9 deficit	0 7.1 deficit	0 7.7 deficit

286. (a) Expenditure.—To ascertain the reasons for the variations in these trading results, the Committee obtained a dissection of expenditure on a State basis "per originating telegram". This table is as follows:—

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.
Operating expenses—						
Total	£2,200,706	£1,215,408	£1,011,858	£527,928	£405,729	£156,163
Repairs and renewals	4s. 3d.	3s. 0.3d.	4s. 8.9d.	2s. 9.6d.	3s. 1.1d.	4s. 0.8d.
Total	£302,536	£88,121	£178,143	£30,244	£24,025	£15,361
Per telegram	7d.	7d.	10d.	5.6d.	7.7d.	4.8d.
Administration—						
Total	£180,515	£87,544	£38,650	£63,014	£42,839	£14,448
Per telegram	4.2d.	3.3d.	4.9d.	4d.	3.9d.	4.6d.
Depreciation—						
Total	£3,288	£1,460	£1,500	£1,108	£1,010	£1,050
Per telegram	1d.	1d.	1d.	1d.	1d.	1d.
Superannuation—						
Total	£124,887	£39,604	£70,305	£38,601	£37,600	£10,139
Per telegram	2.9d.	3.4d.	3.9d.	2.3d.	3.4d.	3.2d.
Interest and exchange	£20,582	£12,116	£10,528	£5,202	£5,562	£1,252
Per telegram	5d.	4d.	6d.	4d.	5d.	4d.
Total working expenses	£2,833,514	£1,694,243	£1,300,921	£719,697	£576,860	£190,322
Per telegram	5s. 5.7d.	4s. 11.4d.	6s. 4.4d.	3s. 9.9d.	4s. 4.7d.	5s. 2.3d.

287. The Department pointed out again that it thought State comparisons of doubtful value and that in comparing the State unit costs, some regard should be paid to the absence of any interstate adjustments for interstate traffic. That is—

No adjustments are made as between States in respect of expenditure associated with interstate traffic to take account of—

(a) any difference between the volume outgoing from any State to any other State as compared with the volume incoming, and

(b) the work done by any intermediate State for handling interstate traffic crossing its territory or for providing direct channels to enable such traffic to be moved automatically across the State without manual retransmission.

In fact, the Department had not investigated the difference between the outgoing and incoming volume of traffic in each State since 1924. In that year adjustments of revenue were abandoned as an economy measure. Adjustments for traffic passing through New South Wales, Victoria and South Australia were made but these had also been abandoned.

288. Telegraph Traffic between two States.—At the Committee's request, the Department provided the following estimates of the ratio of outgoing interstate traffic to incoming interstate traffic for the "busy-day load":—

New South Wales	.. .. . 1:1.43
Victoria	.. .. . 1:0.0
Queensland	.. .. . 1:1.2
South Australia	.. .. . 1:0.92
Western Australia	.. .. . 1:0.93
Tasmania	.. .. . 1:0.81

289. In a further statement the Department stated that—

A recent analysis of the business handled at the Chief Telegraph Offices covering a full period of one week has indicated, however, that the following ratio is more applicable to average conditions:—

New South Wales	.. .. . 1:0.94
Victoria	.. .. . 1:1.09
Queensland	.. .. . 1:1.03
South Australia	.. .. . 1:1.05
Western Australia	.. .. . 1:0.87
Tasmania	.. .. . 1:0.89

The busy-day load is of course significant in relation to staffing and equipment costs, as facilities must be provided to dispose of traffic at all times with reasonable despatch.

290. The estimated value of the telegraph traffic originating in each State for transmission to other States was—

	£
New South Wales	.. .. . 472,000
Victoria	.. .. . 372,000
Queensland	.. .. . 236,000
South Australia	.. .. . 235,000
Western Australia	.. .. . 123,000
Tasmania	.. .. . 92,000

291. On the basis of the sample of telegrams taken at the Chief Telegraph Office, Sydney (paragraph 289 above), the New South Wales Branch receives 0 per cent. fewer telegrams than it despatches; on the basis of the sample taken at the Chief Telegraph Office, Melbourne, the Victorian Branch receives 9 per cent. more telegrams than it despatches. In the case of Western Australia and Tasmania, the differences are larger: Western Australia sends (and receives credit for) 13 per cent. more than it receives, and Tasmania 14 per

cent. These proportions, however, do not tell the full story: each branch receives credit for all the outgoing telegrams (although it meets part only of the cost) and no credit for incoming telegrams (although it meets part of the cost of these telegrams). It is, therefore, the net disadvantage or the net advantage to each State and the proportion of that to the total revenue from telegrams which is important in order to determine the effect of interstate telegraph traffic on State comparisons. In order to obtain a measure of the position, the following table has been prepared:—

States.	Per-centage of Excess Outflow (C) or Inflow of Tele-grams (Para. 289).	Amount of Out-putting Inter-traffic (Para. 289).	Value of Excess, 1951-52.	Total Tele-graph Revenue, 1951-52.	Per-centage of Value of Excess to Total Tele-graph Revenue.
New South Wales	Cr. 6	472	£'000's	£'000's	Per cent.
Victoria	Dr. 9	372	Cr. 28	2,425	Cr. 1.1
Queensland	Dr. 3	239	Dr. 33	1,372	Dr. 2.4
South Australia	Dr. 5	238	Dr. 7	933	Dr. 0.7
Western Australia	Cr. 13	125	Dr. 12	900	Dr. 1.3
Tasmania	Cr. 14	62	Cr. 18	640	Cr. 2.9
			Cr. 13	177	Cr. 7.3
		1,539		6,382	

292. The net advantage or disadvantage for any State is small, except in the case of Tasmania, so small indeed as to constitute a minor explanation only of differences between States. In the case of Tasmania, the revenue per telegram would not be affected but the cost per telegram would, other things being equal, be expected to be less.

293. Telegraph Traffic passing through a State.—The Department provided the following estimates of the costs involved:—

ESTIMATED TRAFFIC OPERATING COSTS INCURRED BY INTERMEDIATE STATES IN HANDLING INTER-STATE TRAFFIC CROSSING THEIR TERRITORIES 1951-52.

State	£
New South Wales	2,347
Victoria	4,559
Queensland	nil
South Australia	nil
Western Australia	nil
Tasmania	nil
	6,936

ESTIMATED COSTS INCURRED BY INTERMEDIATE STATES IN PROVIDING DIRECT CHANNELS TO ENABLE INTERSTATE TRAFFIC TO BE MOVED AUTOMATICALLY ACROSS THE STATES, AND FOR PRIVATE-WIRE SERVICES 1951-52.

State	£
New South Wales	9,453
Victoria	6,089
Queensland	nil
South Australia	1,620
Western Australia	nil
Tasmania	nil
	17,162

Having regard to the total expenditure by the branch, these amounts are not very significant.

294. A departmental committee is now investigating the activities, operations and procedures of the branch and the question of "through traffic" is one important matter being reviewed. The Department has stated that overseas telegraph administrations are also concerned with the problems, and various switching systems adopted overseas are being examined to see whether they might be applied in Australia.

295. The figures in the table in paragraph 285 above show wide variations of costs per telegram from 3s. 0.9d. in South Australia to 6s. 4.4d. in Queensland.

296. The Department agreed that this was the only way to show costs on a uniform basis, but, in its opinion, different factors operating in different States made the comparison of cost per telegram unsatisfactory. Some of these factors were:—

297. (i) *Operating Costs.*—The percentage of traffic moved over direct printing machines systems in the different States varied widely as follows:—

State	Per cent.
New South Wales	59.7
Victoria	64.5
Queensland	60.2
South Australia	70.1
Western Australia	57.5
Tasmania	70.1

298. Machines were being installed for private lines and in post offices where the load was 200 telegrams a day and where trained staff was difficult to obtain. These machines cost £269 for an English type and £415 for an American type and their use could be justified on the degree of relief afforded to the work of the whole of the post office concerned.

299. The following table shows the number of metropolitan, suburban and country Telegraph Offices which are provided with printing machine systems and the percentage of the total offices so equipped:—

State.	Telegraph Offices Equipped with Machine Systems as at 30th June—			Percentage of the Total Telegraph Offices Equipped with Machine Systems as at 30th June—		
	1940.	1952.	1953.	1940.	1952.	1953.
New South Wales*	6	78	78	0.10	2.40	2.40
Victoria	4	65	67	0.10	2.32	2.39
Queensland	6	33	33	0.31	1.71	1.67
South Australia	1	19	19	0.12	2.03	2.02
Western Australia	2	17	17	0.21	1.73	1.71
Tasmania	2	3	3	0.37	0.54	0.53
Commonwealth	20	206	207	0.21	2.00	2.02

* The figures for New South Wales exclude fourteen offices covered by the experimental Hunter Valley switching scheme.

300. In all States, specialist telegraph staff was stationed at large provincial centres to provide an effective telegraph service, but in some States, particularly Queensland, the number and cost of these centres were relatively greater than in other States:—

NUMBER OF PROVINCIAL TRAFFIC CENTRES AT WHICH SPECIALIST TELEGRAPH STAFFS ARE PROVIDED.

State	1951-52.
New South Wales	14
Victoria	6
Queensland	18
South Australia	3
Western Australia	3
Tasmania	2
	46

APPROXIMATE COST OF THOSE CENTRES.

State	£
New South Wales	149,788
Victoria	47,047
Queensland	107,519
South Australia	21,899
Western Australia	15,272
Tasmania	46,559
	433,972

301. District allowances are payable in a larger number of provincial centres in Queensland than in other States. But the amount of district allowances payable in Queensland was only about £3,000 in 1951-52 (£14,072 in all States)—a relatively small amount.

302. International telegrams to and from departmental offices in New South Wales and Victoria are moved between the respective Chief Telegraph Offices and the local office of the Overseas Telecommunications Commission by pneumatic tube at negligible cost as compared with other States which are required to move the traffic by teleprinter. The total cost involved in Queensland, South Australia, Western Australia and Tasmania for 1951-52 was only £9,341.

303. The shortage of junior labour made it necessary to employ a relatively large number of adults on telegram delivery duties, some by motor cycle, in Queensland, New South Wales and Victoria. In addition, a large number of adults was also employed on internal circulation duties in Sydney, Melbourne, Brisbane and Adelaide. The numbers of motor cyclists on telegram delivery at 30th June, 1952, are referred to in paragraph 254 above.

304. Because of shortage of manipulative and non-manipulative labour during the first six months of 1951-52 it had been necessary to incur a substantial amount of overtime in Sydney.

305. (ii) *Repairs and Renewals.*—The reasons for the variations in the cost of "Repairs and Renewals" per telegram were given by the Department as:—

(a) the extent to which machine systems have been introduced;

(b) the number of private wire teleprinter services in use;

(c) the higher expenses involved in the maintenance of machine systems at remote centres in some States where district allowances and other additional costs are involved;

(d) the greater length of lines in some States; and

(e) the effect of weather conditions on outdoor plant, particularly in Queensland.

306. The use of the printing machines and the amount of district allowances have already been referred to above. In regard to the length of lines, the Department stated that the mileage of channels and the cost of maintenance of these channels were greater in some States than in others in relation to the volume of traffic. For that reason, costs of repairs and maintenance in Queensland and Western Australia would tend to be higher than in Victoria.

306. (iii) *Overhead Items of Expenditure.*—The Department explained that the factors influencing the costs of administration in each State were:—

(a) in New South Wales, Queensland and Tasmania, large provincial centres are maintained to provide an effective telegraph service, and

(b) in Tasmania, for example, the cost of the State executive staffs would possibly be a heavier charge per telegram than in, say, New South Wales or Victoria.

307. The range of variations in the costs as between States was equally as large as for the Telephone Branch, i.e.—

	Per Telegram.	
	Lowest.	Highest.
Depreciation	d. 0.1 (all except Tasmania)	d. 0.0 (Tasmania)
Superannuation	2.3 (South Australia)	3.0 (Queensland)
	2.9 (New South Wales)	
Interest and exchange	0.4 (Victoria, South Australia and Tasmania)	0.6 (Queensland)

308. As in the case of the Telephone Branch, the Department stated that these figures were "actual" but their full significance would require a comprehensive review (see paragraph 246).

It seems to the Committee that it would be in the interests of each State branch to be able to explain the differences, which, although small in terms of a telegram, are large in terms of all the telegrams in the State concerned (see comments in paragraph 248).

309. (b) *Chief Telegraph Offices and Post Offices.*—The Committee sought to obtain the costs of individual offices so that it could compare these costs. The Department supplied figures for the Chief Telegraph Offices and Post Offices as samples of the costs of individual offices:

310. *Chief Telegraph Offices.*—The average cost in 1951-52 for each telegram-handling, including reception at the Chief Telegraph Office from another office, a telephone subscriber (phonogram), or printergram subscriber or at the public counter, was estimated at:—

State	£
Sydney	10.1
Melbourne	9.9
Brisbane	10.7
Adelaide	7.2
Perth	8.0
Hobart	14.3
Commonwealth	9.7

311. *Post Offices.*—The average cost in 1951-52 for each telegram-handling, including reception at Post Offices from another office, a telephone subscriber (phonogram), or printergram subscriber or at the public counter, was estimated at:—

State	£
New South Wales	14.8
Victoria	12.9
Queensland	17.4
South Australia	14.6
Western Australia	11.5
Tasmania	13.4
Commonwealth	14.5

312. There is a wide variation among the costs per telegram-handling for Chief Telegraph Offices (excluding Adelaide where the low figure is due mainly to the special arrangements concerning meteorological telegrams, dealt with later) from 8.9d. at Perth to 14.3d. at Hobart; for Post Offices from 11.5d. in Western Australia to 17.4d. in Queensland. Chief Telegraph Offices serve as centres for receipt and onward transmission for telegrams within the State, from another State, or from within the State to another State. This traffic includes the "through traffic", referred to in paragraph 283, which does not involve acceptance and delivery costs although the number of telegrams concerned is counted in the device to obtain the costs per telegram at these offices. At the Hobart Chief Telegraph Office, the "through traffic" is small—37 per cent. of its telegraph business as compared with the Commonwealth average of 63 per cent.—so that the average cost at Hobart is higher.

313. For the Chief Telegraph Offices, costs could be provided of some of the operations of Chief Telegraph Offices and the variations between the individual costs

Classification	Sydney.	Other Offices						All Chief Telegraph Offices.
		Melbourne.	Brisbane.	Adelaide.	Perth.	Hobart.	8.	
Telegraph administration	0.24	0.26	0.24	0.20	0.24	0.35	0.24	
Telegraph operating	4.80	4.85	5.55	4.00	4.01	6.30	4.87	
Photogram operating	8.30	7.30	6.85	7.47	7.53	9.80	7.54	
Counter	4.05	3.64	3.94	3.43	2.05	3.00	3.40	
Delivery	17.83	11.30	12.31	7.92	8.69	10.61	12.17	
Internal circulation	0.87	1.62	0.91	0.77	0.40	0.84	0.75	
Miscellaneous, including statistical, inspectorial telegraph switching (testing), advertising and publicity, training, examinations and other incidentals	1.00	1.03	0.56	0.35	0.51	1.78	0.85	
Telegraph accounts	0.31	0.34	0.21	0.23	0.25	0.20	0.20	

It will be seen that the Perth Office shows consistently low costs for each operation—although, as the table in paragraph 293 shows, there is no "through interstate traffic".

314. In regard to the Post Offices, the reasons for the variations have already been discussed with the variation in State unit figures. Nevertheless, the reasons do not explain the figure for Western Australia (11.5d.) which is lower than that for South Australia (14.6d.) and that, despite the fact the State unit costs are 4s. 4.7d. (Western Australia) and 5s. 0.9d. (South Australia).

315. The Department subsequently submitted statistics (set out in this Part) which do help to explain the variations.

316. The Committee is not able to say precisely why the costs should vary from State to State or why, accepting the limitations on the validity of the comparison of States' unit costs, the variations should be the amounts which are set out in this Report. It is not able to say whether savings in costs could be made and by how much. The Department contended that to keep detailed records to explain all the variations would mean increases in administrative costs which it had sought to avoid.

317. The Committee appreciates the attitude, but if the comparison between the State telegraph administrations is to be satisfactory, the Department may consider it desirable to restore the interstate adjustments which it has made in other years.

318. It seems to the Committee that, with the emphasis on the costs and quality of service between States, it is likely that the State administrations will, of their own volition, calculate the amount which the handprints peculiar to their States represent by way of cost per telegram, and which have not been available to the Committee. This information would be interesting and could well be published in the Department's annual reports.

319. (c) *Meteorological Telegrams.*—The Second Schedule of the *Post and Telegraph Rates Act 1902-1951* provides that telegrams transmitted to or from Commonwealth meteorological offices or stations are to be transmitted free. This provision was incorporated in the Act in 1924 and it was then explained to the Parliament that—

Prior to federation, meteorological telegrams were transmitted in the several States free of charge and without restriction as to length or number.

The Postal Act of 1902, passed prior to the establishment of the Commonwealth Meteorological Bureau, specifically provided for the free transmission of telegrams on behalf of the meteorological departments of the States "until the establishment of a Commonwealth Meteorological Bureau". That Bureau was established in January 1907, but the question of charging for the transmission of meteorological telegrams remained in abeyance until January, 1920. On the 13th January of that year a conference of the permanent heads of

of the operations go far to explain the differences in the costs recorded above. The unit costs of various operations for 1951-52 per telegram were—

Classification	Sydney.	Other Offices						All Chief Telegraph Offices.
		Melbourne.	Brisbane.	Adelaide.	Perth.	Hobart.	8.	
Telegraph administration	0.24	0.26	0.24	0.20	0.24	0.35	0.24	
Telegraph operating	4.80	4.85	5.55	4.00	4.01	6.30	4.87	
Photogram operating	8.30	7.30	6.85	7.47	7.53	9.80	7.54	
Counter	4.05	3.64	3.94	3.43	2.05	3.00	3.40	
Delivery	17.83	11.30	12.31	7.92	8.69	10.61	12.17	
Internal circulation	0.87	1.62	0.91	0.77	0.40	0.84	0.75	
Miscellaneous, including statistical, inspectorial telegraph switching (testing), advertising and publicity, training, examinations and other incidentals	1.00	1.03	0.56	0.35	0.51	1.78	0.85	
Telegraph accounts	0.31	0.34	0.21	0.23	0.25	0.20	0.20	

the Home and Territories, Postal, Treasury and Navy Departments decided that the principle of payment should be acknowledged. In pursuance of the recommendations of that conference, charges have been made since the 1st July, 1920, the same rates as are charged to the public for private messages.

This telegraphic service was seriously interfered with owing to the limitation of funds and the increases in telegraphic rates. The result was that in July, 1922, it became necessary to make a drastic curtailment in the telegraphic services and reports sent from the bureaus to country centres and exchanged between the centres. Under the rearrangement, it was necessary to discontinue the transmission of weather telegrams except in the most important cases.

It is considered by the Government (1924) that existing telegraphic facilities should be available for the free dissemination of information regarding the weather for the benefit of the community. The charges at present made do not result in any benefit to the Commonwealth, as the revenue credited to the Postal Department is offset by a corresponding debit against the Meteorological Bureau. A considerable amount of clerical work is involved in the preparation and checking of accounts.

320. The Department takes credit for the value of these telegrams in its Commercial Accounts at ordinary or urgent rates as the case may be.

321. The work giving rise to the telegrams was thus described to the Committee—

Postmasters or other officers at certain centres have for many years acted as observers for the Meteorological Bureau, and, at predetermined times during the day, make necessary observations and prepare telegrams for despatch to the centres concerned. These officers generally received an allowance from the Department of the Interior for this special work.

Since 1938, special observations have been made during the night at a number of offices throughout the Commonwealth, the officers concerned being paid an extra allowance for the additional work in some cases. In other instances, it was necessary for Post Office to increase the staff to enable the night observations to be undertaken and the telegrams to be transmitted.

During 1951-52 meteorological telegrams were furnished from about 1,500 offices, including those which forwarded rainfall reports only.

Regular daily reports were sent from about 350 offices. From about 100 centres meteorological telegrams were despatched every three hours of the day and night. Telegrams were sent every three hours during the period from 6 a.m. to 6 p.m. from another group of about 250 offices.

322. The number of meteorological telegrams has increased very largely to 1951-52, both in total and as a percentage of the total number of telegrams, but there has been a falling off in 1952-53. The following table compares the number of meteorological telegrams in those years with the number of telegrams despatched within Australia. International telegrams have been omitted from these figures—

	1910-11.		1951-52.		1952-53.	
	Total	Per cent.	Total	Per cent.	Total	Per cent.
Total number of telegrams despatched within Australia	17,046	8.2	27,080	12.0	23,407	9.3
Number of meteorological telegrams	1,450		3,385		2,172	
Percentage		8.2		12.0		9.3

(a) Commonwealth *Treasurer*, 30th July, 1924, pages 2623-5.

323. Meteorological telegrams have therefore comprised an important proportion of the total business of the branch and the following table of State statistics of

TOTAL TELEGRAMS DESPATCHED WITHIN AUSTRALIA AND METEOROLOGICAL TELEGRAMS.

State.	1951-52.			1952-53.					
	Total Telegrams.	Meteorological Telegrams.	Percentage.	Total Telegrams.	Meteorological Telegrams.	Percentage.			
New South Wales	000's 0,108	000's 371	6.0	0,720	000's 570	6.0			
Victoria	4,083	172	4.2	4,007	4.0	5,248			
Queensland	3,374	332	9.8	4,316	312	7.2			
South Australia	1,460	274	18.0	3,087	1,680	45.5			
Western Australia	2,051	227	11.1	2,683	431	16.0			
Tasmania	471	83	17.0	750	108	14.2			
Total	17,046	1,450	8.2	27,080	3,385	12.0			
							23,407	2,172	9.3

324. The Department gave the following explanation of the position in South Australia—

The high load in South Australia was due to the fact that meteorological telegrams addressed to Parafield needed retransmission to the Meteorological Offices at Alice Springs and Darwin.

Since the 17th August, 1952, however, the meteorological intelligence is being transmitted from the Chief Telegraph Office, Adelaide, to the Meteorological Offices at Adelaide, Parafield, Alice Springs and Woomera over private wires. Only one transmission is now involved in respect of all these points.

The previous arrangement of taking credit in the commercial accounts for the meteorological messages retransmitted to Alice Springs and Darwin has, therefore, been discontinued, and credit is now being taken for the rental of the channels used on the normal tariff basis.

The effect of this change will be to reduce substantially the number of meteorological telegrams shown as being dealt with in South Australia and also to reduce correspondingly the revenue credited to that State for such messages.

325. It is expected that the private network of the Meteorological Branch will shortly be further extended and in consequence the number of meteorological telegrams will decline.

326. The charges for the telegrams credited to the branch Profit and Loss Account were calculated by using the ordinary and urgent rates established by the Post and Telegraph Rates Act. These were the rates charged to other users of the service. About 85 per cent. of these telegrams were urgent telegrams and double rates were accordingly charged. The result was that the average return of these telegrams was 7s. 2d. in 1951-52, as compared with 4s. 6.2d. for telegrams of all categories.

327. In 1952-53 the number of meteorological telegrams dropped by over 1,200,000 to 2,171,511 (or 9.3 per cent. of the total number of telegrams despatched within Australia), but the average value rose to 8s. 6d. each.

328. The Committee invited the Meteorological Branch of the Department of the Interior to explain the need for the number of telegrams and the despatch of the telegrams at urgent rates and was told that Meteorological Offices were maintained in all capital cities and at many aerodromes. These offices received reports from observer posts at three-hourly intervals—

With the development and growth of primary and secondary industries and of the consequential growing demands for the provision of meteorological services, increase of meteorological traffic became inevitable, especially over a continental area such as Australia where the telegraphic system is more complex than in smaller countries.

Standard international meteorological codes were used and care was exercised to confine the messages to essential reports. Urgent telegrams were necessary to ensure the minimum of delay.

meteorological telegrams handled shows that they have been of particular importance to the branch in South Australia.

329. The Committee asked the Department whether there is, in fact, much difference in the time of delivery of telegrams at urgent and ordinary rates. The Department stated—

As separate records are not normally maintained of the grade of service accorded these telegrams, a special analysis has been made of the load dealt with over a period of five working days in January, 1954.

The results of this examination are summarised below—

State.	Category.	Number of Telegrams.	Average Time Lag.	
			From Lodgment to Reception at Telegraph Office.	From Reception to Delivery to Addressee.
New South Wales	Urgent	3,078	Minutes 18	Minutes 30
Victoria	Urgent	1,075	13	38
Queensland	Urgent	417	24	36
South Australia	Urgent	1,740	17	28
Western Australia	Urgent	209	25	37
Tasmania	Urgent	1,207	15	27
Commonwealth	Urgent	277	16	25
	Ordinary	1,870	19	37
	Urgent	160	18	24
	Ordinary	50	25	33
	Urgent	9,145	17	25
	Ordinary	690	22	33

The grade of service from the office of origin to the Chief Telegraph Office is influenced by a number of factors, including—

(i) the great proportion of meteorological telegrams are lodged within a few minutes of each other at numerous offices throughout the Commonwealth at 0 a.m., noon, 3 p.m. and 6 p.m., thus causing a temporary heavy loading on some public traffic channels;

(ii) many other messages are lodged at 9 p.m., midnight, 3 a.m. and 6 a.m. from places remote from the Chief Telegraph Office. Immediate treatment is not possible in all instances without extravagant staffing;

(iii) in a number of cases, the messages are lodged at remote centres and involve two transmissions between the offices of origin and destination.

The overall time lags from lodgment to transmission by teleprinter to the Meteorological Office to which the telegrams are addressed are influenced by the factors mentioned, as well as by the fact that, as a result of the heavy simultaneous lodgment at each three-hourly interval, there is a marked accumulation of traffic on the transmitting position of the teleprinter network at the Chief Telegraph Offices. In addition, it is necessary for the Department to transmit the messages to the local bureaus in between messages received by tape relay from other States and requiring onward transmission over the interstate network.

The above analysis includes all meteorological telegrams originated at post offices throughout Australia and transmitted over the public telegraph system. It does not include messages originated at meteorological offices connected to the private-wire teleprinter network and which were transmitted exclusively over that network. It does not, moreover, embrace retransmissions of messages received from interstate offices by tape relay and which are retransmitted over the private-wire network.

The South Australian average results, which show almost similar time lags in respect of urgent and ordinary messages, are also influenced by the fact that approximately 60 per cent. of the urgent telegrams, and only 10 per cent. of the ordinary messages, were lodged at offices on the Adelaide-Perth or Adelaide-Darwin routes, where the time lag for all classes of traffic was high in comparison with that on other routes generally.

It seems to the Committee that this matter should have warranted investigation by the Meteorological Branch to ascertain whether urgent telegrams were, in fact, required. Although the number of telegrams is likely to fall to a relatively low level, the investigation will still be justified.

330. The growth in the number of telegrams was the result of the causes mentioned hereunder—

- Between 1938-39-1940-41—the introduction of night reports,
- Between 1940-41-1943-44—the needs of the defence services,
- Between 1943-44-1946-47—the expansion of the service.

331. The branch has been building up a network of lines leased from the Postmaster-General's Department and, when the leased lines are used for interstate messages, from December, 1953 (as well as intra-state as at present), the volume of telegrams is estimated to fall to about 500,000 a year.

332. The Postmaster-General's Department said that it accepted the certificate of the Meteorological Branch that a meteorological telegram service was required in the public interest.

333. The finances of the Telegraph Branch would be affected by this decline in the amount of revenue from meteorological telegrams, particularly as the bulk of the telegrams were sent at urgent rates. The Department estimated that the credit taken to the branch Profit and Loss Account would decline as follows:—

Year.	Meteorological Telegrams.	Land Teleprinter Services.	Total.
1951-52	£ 1,100,812	£ 60,155	£ 1,260,967
1952-53	928,518	66,400	1,024,988
1953-54 (estimated) ..	660,000	187,000	847,000

334. The increase in the average cost per telegram from 7s. 2d. in 1951-52 to 8s. 6d. in 1952-53 was explained by the Department—

In 1951-52 credit was taken for the retransmission of meteorological messages to Alice Springs and Darwin; the average credit per meteorological telegram in South Australia represented 3s. 6d. compared with the Commonwealth average of 7s. 2d., and this is attributed to a lower word content in the former messages. Because of the change in the method of dealing with the South Australian messages in 1952-53, the Meteorological telegram load in that State was reduced by 139,000 messages, with which there was associated an average credit of 6s. 6d. . . . and the result had been substantially to raise the average earnings on the

remaining messages for the Commonwealth. Moreover, a number of additional lengthy Meteorological messages were lodged regularly daily in 1952-53 and this had the effect of increasing the average earnings per telegram.

335. On this occasion, the Committee is reporting on the accounts of the Postmaster-General's Department and it is not therefore concerned with exhaustively examining the operations of the Meteorological Branch.

The Postmaster-General's Department has taken the view that as far as their Commercial Accounts are concerned the Meteorological Branch is only a customer, albeit a very large one who, with other customers, should pay the rates for telegrams laid down by the Post and Telegraph Rates Act. It seems to the Committee that the proposal for payment by the Meteorological Branch of its telegrams suggested earlier in this Report has the further advantage that it will place the two departments in the position of buyer and seller of services; this alone should contribute not merely to an economical service but to ensuring that only essential messages would be sent at urgent rates.

PART X.

POSTAL BRANCH.

(1) Comparison of Profit and Loss Accounts of the Branch for 1939-40 and 1951-52.

336. The Profit and Loss Accounts of the Postal Branch for 1939-40 and 1951-52 show the same trend as the Telegraph Branch accounts: substantial surpluses in the pre-war years and deficits in the more recent years. The results for these years are—

Year.	Employees.	Results.			Percentage to Earnings.
		Surplus.	Deficit.	Or.	
1939-40	£'000. 7,400	£'000. 1,398	..	Or. 27.0	
1940-41	7,922	2,175	..	Dr. 27.5	
1950-51	17,681	..	1,813	Dr. 10.2	
1951-52	23,054	..	645	Dr. 2.4	

It will be seen that the branch showed a surplus of 27 per cent. in 1939-40, but that the results for 1951-52 showed a deficit of 2.4 per cent., this being a substantial improvement on the deficit for 1950-51 of 10.2 per cent.

337. The Department offered, as explanation of this situation, reasons similar to those given for the Telegraph Branch, viz., that the bulk of the expenditure of the branch was on wages and salaries: wages and salaries rates had increased substantially and despite a large increase in mail handled, to a greater extent than had the postal revenue.

338. The main heads of expenditure of the branch are—

- Salaries, wages and general expenses.
- Carriage of mails.
- Miscellaneous.

Salaries, wages and general expenses are mainly the labour costs of personnel providing mail and other postal services. The costs of printing stamps, postal notes and forms, as well as repairs of postal equipment are included. Carriage of mails covers the payments to mail contractors, railways and shipping companies for the carriage of mails, for airmails and overseas mails. Under the item "Miscellaneous", charges for administration, depreciation, superannuation and interest and exchange are included.

339. A comparison of the amounts under the main heads of expenditure for 1939-40, 1940-41, 1950-51 and 1951-52 is—

	1939-40.		1940-41.		1950-51.		1951-52.	
	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.
Salaries, wages and general expenses ..	£'000. 3,420	70.2	£'000. 3,688	89.0	£'000. 13,082	73.6	£'000. 16,372	75.8
Carriage of mail	1,454	29.8	1,616	31.1	4,664	26.4	5,180	24.2
Sub-Total	4,874	100.0	5,304	100.0	17,746	100.0	21,458	100.0
Miscellaneous (a)	627	..	540	..	1,719	..	2,141	..
Total (b)	5,401	..	5,747	..	19,465	..	23,609	..
		Per cent. 9.7		Per cent. 9.5		Per cent. 8.8		Per cent. 9.07

(a) As a percentage of (b).

The table shows the increase in the total expenditure on "Salaries, Wages and General Expenses", and its proportion to total expenditure by the branch.

340. The Department submitted a table of variations in wages and salaries rates from 30th June, 1940, to 30th June, 1952, as follows:—

	Postal Clerk.	Postal Officer.	Mail Officer.	Junior Postal Officer.	Chief Clerk (Airmail).
Minimum salary 30th June, 1940	£ 220	£ 210	£ 210	£ 102	£ 220
30th June, 1952	660	614	614	324	608
Per cent.	300	292	292	318	276
Percentage Increase ..	100	184	184	222	100
Maximum salary 30th June, 1940	£ 310	£ 248	£ 209	£ 102	£ 310
30th June, 1952	782	674	740	300	704
Per cent.	252	272	354	294	227
Percentage Increase ..	152	172	253	293	140

(a) At 15 years.

341. The Department explained that during this period, the working hours per week were reduced from 44 hours, while penalty rates were introduced for weekend work. The percentages in the table above did not accurately portray the increase in wages costs because they did not include the above factors as well as certain other improvements granted in working conditions. A more realistic comparison would be—

Designation.	Total.		Percentage Increase.
	1939-40.	1952-53.	
Mail officer	270	603	224
Postal officer (including postmen)	244	798	315
Junior postal officer	00	300	300

342. The Committee also noted that certain items of expenditure under "Carriage of Mails" had not increased to the same degree as had wages. Carriage of mails by rail was undertaken by State Government railways, broadly, on the basis of 50 per cent. of the 1917 railways parcels rates and these rates were increased—

- In 1921 to 60 per cent. of 1917 parcels rates.
- In 1940 to 80 per cent. of 1917 parcels rates.
- In 1951 to 96 per cent. of 1917 parcels rates.

That is, the increase in the period 1939-52 was from 60 per cent. of the 1917 rates to 96 per cent. The airmail surcharge was still 8d. per ½ oz., paid

in addition to the normal postal rate. This surcharge had remained unchanged since the airmail surcharge was introduced in Australia on the 31st December, 1921, when the first domestic airmail service—Geraldton-Derby—commenced. The Department stated that it acted only as an agent to collect the surcharge and to pay it to the Department of Civil Aviation.

343. The postal rates over this period did not increase to the extent that expenditure did as the table hereunder shows:—

NORMAL INLAND POSTAL RATES.			
		1939-40.	1951-52.
Letters	2d. per oz.	3d. per oz.	2d. each additional ½ oz.
Postcards	1½d. each	3d. each	3d. first 4 oz., 2d. each additional 4 oz.
Printed matter	1d. per 4 oz.	2½d. first 6 oz., 2d. each additional 6 oz.	
Books, periodicals and newspapers	1d. per 6 oz.	2½d. first 6 oz., 2d. each additional 6 oz.	

344. The charge for letters provide the bulk of revenue and this charge has increased less than 75 per cent. in this period.

(2) Comparison of Branch Profit and Loss Account 1951-52 as between the States.

345. The Department supplied the Committee with a statement of the results of the Postal Branch in each State, as follows:—

	Surplus.	Loss.
	£	£
New South Wales	301,732	351,422
Victoria .. .. .	..	493,678
Queensland	7,984	..
South Australia .. .. .	..	28,337
Western Australia .. .. .	..	70,641
Totals	309,716	914,378
Not deficit	444,662	..

346. The expenditure of each State Postal Branch is set out in Appendix No. 13.

(3) Unit of Comparison of State Results.

347. The Committee wished to compare the operation in each State of the Postal Branch calculated on a common unit so that any difference in particular costs or revenue factors could be isolated and explained. It has done this in respect to the Telephone and Telegraph Branches dealt with earlier in this Report.

948. The Department was, accordingly, asked to supply information on a comparable unit basis and it provided comparisons on the basis of the cost of obtaining £1 of revenue by the Postal Branch. The Department pointed out, however, that this comparison—

was prepared merely in answer to a request by the Committee for information on a uniform basis in regard to each branch. It was not suggested by the Department that this was a valid basis of comparison by the Committee for the information of the Committee in response to a request.

949. The Committee also felt that the basis was not a good one for it assumed that the proportions of the quantity of letters, parcels and other categories of mail were the same in all States and that the charges for each category gave similar trading results. This was particularly important for letters (which earned the branch a good profit) and newspapers (which involved the branch in heavy losses). In fact, the proportions of mail in the various categories have varied. The following table shows the percentages of mail business in 1951-52 under the four main categories for the number of articles posted for local and overseas delivery and the number of overseas articles received—

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
Letters, &c.	78.8	82.2	80.0	85.4	81.2	83.1	82.3
Newspapers	18.7	15.9	17.3	12.9	16.8	13.8	16.9
Parcels	1.2	1.9	1.8	.9	1.0	1.0	1.1
Registered articles.	1.3	1.2	1.1	.8	1.0	1.5	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The table shows a variation for letters from 78.8 per cent. (New South Wales) to 85.4 per cent. (South Australia) and for newspapers from 12.9 per cent. (South Australia) to 18.7 per cent. in New South Wales.

350. The rates charged for the various categories of mail vary and this method, also, does not allow for the effect of the letters for Tattersalls in Tasmania. The stamps for the interstate replies were purchased in the originating State and no credit was obtained by the Tasmanian branch for the replies despatched. The amount involved was estimated at about £200,000 a year and, as the postage revenue of the Tasmanian branch for 1951-52 was £678,787, the loss of this revenue had destroyed the validity of the comparisons based on revenue so far as Tasmania itself was concerned.

351. The Committee considered an alternative basis of comparison. The total number of articles posted for local and overseas delivery and received from overseas in 1951-52 was ascertained, the figures being—

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
Letters, &c.	469	340	148	89	82	54	1,108
Newspapers	111	68	32	15	17	9	260
Parcels	7	4	3	1	1	1	17
Registered articles.	8	5	2	1	1	1	18
Total	605	421	185	110	101	65	1,483

The total for each State (in millions) was then divided into the expenditure for each State to provide a comparison between States of the costs of handling 1,000,000

articles by each State. The following table gives this comparison:—

State.	Million Articles.	Expenditure 1951-52 per Million Articles Total.				Total.
		Salaries, Wages and Office Expenses.	Carriage of Mails.	Miscellaneous.	£	
New South Wales	605	11,180	3,380	1,370	15,930	
Victoria	421	10,980	2,860	1,310	15,150	
Queensland	185	11,870	5,560	1,700	19,130	
South Australia	110	11,270	3,600	1,580	16,450	
Western Australia	101	9,600	3,870	1,670	15,200	
Tasmania	65	7,940	2,420	1,100	11,620	
Total	1,483	10,970	3,480	1,440	15,900	

352. The effect of the differences in the proportions of mails would not be as marked as in the case of the comparison per £1 of revenue. In the latter, the differences between the States in the proportions of the quantities of the various categories of mail are accentuated by multiplying by the varying postal rates.

The differences in proportions of the quantities which exist, could be used to assist in the explanation of differences in unit costs.

353. The Committee had also noted the following statement by the Department:—

By far the greater proportion of the mail traffic originating in each State is for distribution within the State, and hence New South Wales with a population of approximately 3,400,000 and over 3,000 Post Offices has a distributional task of very different order from Tasmania with a population of approximately 300,000 and less than 600 Post Offices. Where one process of sorting suffices to route mail from the General Post Office in the smaller distributional field of Tasmania, two or more staged processes are necessary in New South Wales.

Interstate movements of mail, therefore, whilst of importance, did not comprise the bulk of the mail handled and, if it could be measured, the basis of comparison could provide a useful measure of unit costs in the States.

354. This alternative was put to the Department which thought^(a) that the following factors would detract from the proposal:—

- the numbers of different types of mail were added together;
- mail on different routes may require different sorting and handling arrangements;
- other factors are peculiar to one State and not another.

355. The Committee has already reported the objection taken by the Department to the validity of State comparisons in the Telephone and Telegraph Branches and it has indicated why it wishes to persist with such comparisons. The Committee feels that the Department's views referred to above show the differences in approach between the Department and the Committee. The Department held that it would not be possible to weight the "conflicting factors" so that a worth-while statement could be obtained. The Committee's view is that the business of the Postal Branch is to handle postal articles: postal articles are therefore the natural factors^(b) referred to by the Department are the explanations which the Committee sought of the differences between the unit costs.

356. If, however, the Department's view is accepted and unit costs are discarded, and comparisons are desired, the Department has suggested it would be possible to consider individual post offices' traffic loadings and staffing. But, as the Department has pointed out, it would be difficult, even so, to compare the results of individual post offices because of their differing characteristics.

(a) For a further discussion see Transcript of Evidence, 17th October, 1952.

357. The other course would be to consider the Profit and Loss Accounts themselves of the State administrations and to press for explanations of the differences in the trading results of each. These results are set out in paragraph 345 above.

358. The Committee has earlier in this Report referred to the interest of the public and the Parliament in the financial results of the Department as a whole and of its branches. It, therefore, finds that the Department's proposal, whilst of importance to the Department itself in its oversight of operations outside the Head Office, does not serve the purpose the Committee has in mind. That purpose is best served by using the Profit and Loss Accounts.

359. The Committee concludes that, in its opinion, the unit comparison based on articles handled is of some value in the examination of the Department's accounts. It has taken the reasons given by the Department for the varying results of the State administrations and has used its own proposal of unit costs, with the result shown in the following paragraphs.

(4) Variations in State Branches' Results 1951-52.

360. (a) *Interstate Exchanges of Mail.*—If the inflow and outflow of mail from State to State were approximately the same, the effect on the State branches' financial results could be ignored in a comparison of unit costs and revenue. The Department stated that about 80 per cent. of mail was for intrastate distribution and that about 20 per cent. was for interstate addresses, this proportion varying from State to State. For example, the larger publishing States of New South Wales and Victoria sent much more mail, particularly printed matter and publications, than they received and the other States bore the costs of distribution of the excess without revenue credits.

361. The important figures in the assessment of the amount of the unevenness in the interstate exchanges of mail for each State are the total mail handled in each State and the difference between the inflow and outflow of mail with other States and the relationship between the two.

362. (b) *Mail Conveyance Costs.*—The Department commenced its explanation of the differing mail conveyance costs in the several States by saying—

The costs of mail conveyance per postal article are appreciably higher in some States than in others.

363. (i) *Airmails.*—The expenditure on airmails in Australia represents the payments to the Department of Civil Aviation of the amounts of the airmail surcharge. This amount is calculated by multiplying the actual recorded weight of Australian originating airmail in each State by the estimated value per lb. of the surcharge.

364. The amounts for each State vary considerably; for example, that of Queensland (£194,354) is not much less than Victoria (£196,556). Indeed, the amounts for Queensland, South Australia and Western Australia, are proportionately much greater, and that for Tasmania much less, than the amounts for New South Wales and Victoria, indicating a greater proportionate use of airmails in the first three States.

365. These amounts are offset in the Profit and Loss Accounts by the surcharge revenue so that these costs have no appreciable effect on the State Branches' Profit and Loss Accounts.

366. Payments for overseas airmails are payments made—

- to the Department of Civil Aviation of amounts estimated to represent the net value of airmail fees paid by the public in respect of mail posted in Australia for delivery in overseas countries, and
- to other Administrations for the air conveyance of Australian mails over their air services.

367. (ii) *Ship Conveyance.*—The cost of coastwise mail covers the payment to shipping companies for the

carriage of Australian mails by sea between Australian ports.

368. The cost of overseas mails by sea covers (a) the amounts due to shipping companies for the sea conveyance of mails from Australia to overseas destinations, and

(b) the balance of accounts payable to or receivable from other countries for reciprocal mail carriage services on each other's mails.

The payments under (a) are at negotiated rates based on the general cargo rate on the Australian-United Kingdom shipping route. The amount under (b) is the net balance only of settlements with other countries and may fluctuate from year to year as delays occur in the presentation and settlement of accounts.

369. The costs to each State account under this heading also affect the financial results in a substantially uniform manner. Part of the difference is due to the payment of the following subsidies:—

By the Victorian branch: £10,000 per annum, for Bass Strait services.

By the South Australian branch: £5,000 per annum, for Spencer Gulf services.

By the Western Australian branch: £5,500 per annum, for north-west Australia service.

370. There appears, however, to be little variation from State to State in the proportions of this cost except in the case of Tasmania.

371. (iii) *Mails by Rail.*—The amount covers the payments to Government railways, and the quantity of mail used in the settlement of the railways charges are calculated from test weightings, generally every two years, over a period of 30 consecutive days. Overseas mails have been specially recorded since 1943 as the regular mail and departures of overseas mails are not as regular as inland mails. The payments made for inland mails take into account distance and weight and, of course, as the cost to the branches varies with the mileage to be paid for, the States with the greater distances to be covered will bear a greater cost than other States. As a result the proportionate cost in Queensland, New South Wales and Western Australia is much higher than in Victoria and South Australia and that in Tasmania is much lower.

372. (iv) *Mails by Road.*—The amount covers payment to mail contractors for the carriage of mails by road, pack-horses and launch. Payment is not related directly to weight or the number of mails, as in the case of mails by rail, but usually competitive tenders are called for the services for periods of three years.

373. The expenditure, therefore, reflects the different route mileage in each State for road services and, as well, the different rates per mile payable by the Department. The effect of these costs will be accentuated in a State which is sparsely populated by comparison with other States and in which the revenue from mail matter from the country areas served by the road contractors is small.

374. The following table summarizes the relevant statistics:—

State.	Financial Year.	Total Annual Mail.	Total Cost.	Average Cost per Mile.
		'000 miles.	'0000s.	d.
New South Wales	1951-52	17,188	662	0.25
	1952-53	17,188	740	0.40
Victoria	1951-52	8,730	384	0.72
	1952-53	8,871	305	0.70
Queensland	1951-52	11,487	427	0.82
	1952-53	11,461	470	0.91
South Australia	1951-52	5,776	112	7.40
	1952-53	5,614	120	8.20
Western Australia	1951-52	2,310	106	11.01
	1952-53	2,269	117	12.30
Tasmania	1951-52	2,108	72	61.60
	1952-53	2,253	82	8.60
Total	1951-52	45,201	1,734	0.19
	1952-53	46,676	1,850	10.19

376. The Department explained the high rate in Western Australia as due to the use made of the road services operated by the Western Australian Government Railways. The quantity of mails on those routes was heavy and resulted in a high mileage rate. If these road services were taken out of the calculation, the average cost per mile in Western Australia in 1952-53 would be 0.82d., a rate comparable with those paid in other States.

370. (c) *Mail Handling Costs.*—The Department explained that—

The mail distributional task of every State is determined primarily by its population, as the postal traffic problem consists essentially in providing a system under which correspondence from any one person to any other person within a distribution field can be handled so as to ensure its passage from one to the other as economically and speedily as possible. The larger the field of individuals and post towns between which the main exchanges take place, the more extensive and complex become the processes of sorting and handling necessary to move postal articles from the one to the other.

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
1. Working costs	£000's 5,482	3,832	1,828	1,092	770	421	15,423
2. Millions of postal articles originating in State	421	185	110	101	55	143	1,483
3. Working costs per million articles	£9,210	£0,100	£9,880	£0,830	£7,080	£0,480	£2,050

378. The working costs for 1,000,000 articles shown in this table for the States, illustrate the Department's explanations quoted above, except Queensland and South Australia. In regard to Queensland, the Department stated that special geographical factors gave rise to special payments, such as district allowances, higher travelling expenses, and large relief and transfer expenses which tended to load the costs in that State.

370. (d). *Overhead Items of Expenditure.*—The costs of administration, depreciation, superannuation, interest and exchange are set out in Appendix No. 13.

380. The costs of administration in Queensland and South Australia, and the cost of superannuation and pensions in Western Australia, are proportionately much higher than is the case in other States. The unevenness between States in respect of these costs in other branches of the Department has already been mentioned by the Committee: the Department has explained that those figures represent the amounts actually spent. It was unable to give any further explanation of the differences.

(5) *Profits and Losses on Individual Services 1951-52.*

381. In reply to a request for the estimated receipts and expenditure for the various categories of mail handled, the Department provided the Committee with the following information per article and of the overall profit or loss:—

Category (Type of Article).	Estimated Average Revenue per Article.		Estimated Overall Profit or Loss.	
	d.	£	£	£
Letters and postcards ..	3.4	2.34	3,000,000	..
Commercial papers—				
Letter form ..	3.0	2.34	650,000	..
Package form ..	3.1	5.38	..	100,000
Printed papers—				
Letterform ..	3.0	2.34	300,000	..
Package form ..	3.1	5.38	..	230,000
Bulk newspapers and periodicals ..	0.0	5.38	..	2,400,000
Samples and merchandise	5.0	5.38	..	26,000
Third class mail (books, &c.) ..	4.0	5.38	..	75,000
Registered articles ..	10.0	23.7	..	900,000
Parcels ..	39.0	49.1	..	670,000
Totals ..	..	..	8,950,000	4,400,000

It is difficult to estimate the precise effects of the greater complexity of mail processing in the large population States, as the financial effects are counter-balanced or modified by other cost factors dealt with in this statement. Nevertheless, as a single factor its effects are to make for larger labour costs per postal article in the large population States and lower labour costs per postal article in the small population States.

377. The Committee wished to obtain a precise measure of the relative costs of mail handling in each State. The postal working costs in each State were obtained after omitting the costs to the Department for performing money order and Commonwealth Savings Bank business, the costs of private postal boxes, the work for other departments, and miscellaneous activities. The working costs were incurred in handling the postal matter in the State and the Committee therefore calculated the amount of these working costs per million articles posted. The following table sets out the figures:—

	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
1. Working costs	£000's 3,832	1,828	1,092	770	421	15,423
2. Millions of postal articles originating in State	421	185	110	55	143	1,483
3. Working costs per million articles	£0,100	£9,880	£0,830	£7,080	£0,480	£2,050

382. The Department explained that the figures were estimated in the following manner:—

For the purpose of assessing the handling costs and the revenue return of the various types of articles we make simple checks. We do not do this regularly however because this is done only when we go to every State to take out the original mail. We count that mail in relation to the type of article it represents and the amount of postage on it. From that we get a split-up of the number of the various types of articles originating over a short period. We also get the approximate revenue. . . . These are estimated figures. We apply the figures so obtained to the total number of handling articles as shown in the statistics in proportion to the results of the test checks. We split-up the revenue in the same way. That gives us the postage element. We then apply to these various types of articles the carriage rates worked out on a weight basis; in other words, the total amount of mail conveyed in so many 1,000 lbs. weight. We have the proportion of registered letters to parcels to letters, &c., and merely by a proportion sum we arrive at a figure on a weight basis as to what should be allocated to each type of article.

383. Broadly, the letter rate of 3½d. an oz., subsidizes the bulk carriage of newspapers and periodicals. The Department explained that the rates structure accorded generally with the rates structures of other overseas postal services and that the level of rates was a matter for determination by the Government. The history of bulk newspaper rates was one of low rates to facilitate the dissemination of information, particularly over long distances; the charges would not even cover rail and other conveyance costs, quite apart from the Department's handling costs. As between letters and newspapers, both would be handled expeditiously but, if a choice had to be made, letters would be preferred over newspapers.

384. In reply to further questions by the Committee, the Department stated that, in its opinion, an increase in the newspaper rates would not affect the distribution of the large bulk of magazines and newspapers. Some of the smaller papers might be affected.

385. The loss on registered articles was due to the high cost of the hand to hand service which had to be provided.

386. The Department stated that the Government was aware of the losses in the individual categories of mail when it considered rates. The principle adopted by successive governments was that of treating the Post Office results as a whole; the charges for the individual services of branches might be determined "irrespective of their financial position, so long as the objective of a satisfactory overall result was obtained".

(6) *Parcels Delivery Service.*

387. The Department explained that its policy was to arrange for parcels delivery by the most suitable and economical method. This meant delivery by contract with private carriers, by departmental transport or, where the number of parcels was small, as a part of the letter delivery service.

388. The arrangements for city and suburban deliveries at 30th June, 1953, were—

	Average cost per parcel.	
City deliveries—	s. d.	
Sydney	0 10	Contract services.
Brisbane	0 9	
Melbourne	0 7.38	Departmental vehicles.
Adelaide	0 5.08	
Perth	0 4.10	
Hobart	1 0.5	
Suburban deliveries—		
Sydney	0 7.71	Contract services.
Melbourne	0 7.25	
Brisbane	0 10	Departmental vehicles.
Perth (a)	0 10.40	

(a) A small contract, roughly 581 per annum also exists for parcel delivery at an average cost of 6.5d. per parcel.

389. The departmental figure represented the hiring charge to the Postal Branch credited to the Stores and Transport Trust Account. It covers all costs associated with the vehicle—driver, petrol, other running costs, replacement and overhead.

390. The Department explained that it preferred departmental vehicles for city deliveries, but it found that local contractors could carry out a cheaper service in the suburbs and country because it was only part of their earning business. Tenders were called, and some preference was shown to an existing contractor, when tenders for a further period were called. In Sydney and Brisbane, garage space could not be found and vehicles were in short supply and therefore a departmental service, which might be justified on the experience of the other capital cities, could not be instituted.

391. The Committee received an assurance that reviews were made regularly of the contracts and departmental costs. For Perth, the Western Australian branch had stated that contractors could not be obtained to provide a service at a cost lower than that of departmental vehicles.

(7) *Money Orders and Postal Notes.*

392. The information provided to the Committee included the following statistics for 1951-52:—

	Money Orders.	Postal Notes.
Number of post offices providing these facilities ..	3,932	8,114
Number issued ..	5,405,022	20,476,431
Value ..	£10,495,011	£11,007,091
Commission on poundage—		
Inland ..	Up to and including 25—1s.	1s. to 2s. 6d. inclusive—3d.
	Each additional 25 or fraction of 25—6d.	3s. to 4s. 6d. inclusive—3d.
	For each £1 or fraction of £1 up to and including 20—0d.	5s. to 7s. 6d. inclusive—4d.
	Each additional 21 or fraction thereof 50—4d.	10s. to 20s. inclusive—6d.
	(Minimum charge 1s.)	
Earnings by Department from Commission on poundage ..	£ 776	£ 456,247
Estimated cost ..	350,776	625,000
Estimated loss ..	95,000	49,000

393. A representative sample of money orders issued in 1951-52 and 1952-53 showed distribution of orders by value—

Value.	1951-52.	1952-53.
Up to £5	63	62
£5 to £10	10	10
£10 to £15	8	7
£15 and over	10	12
	100	100

The average value per order issued in 1951-52 was £9.3 and in 1952-53 £9.0.

394. The Department stated that since 1st July, 1953, the checking and marking off of paid postal notes had been discontinued and a saving of £50,000 per annum, was expected.

395. In reply to the Committee's inquiry, the Department said that the financial results of the money order and postal note transactions in 1939-40 and 1952-53 were estimated—

	1939-40.	1952-53.
Money orders ..	Deficit—£3,100	Deficit—£113,800
Postal notes ..	Surplus—£31,200	Deficit—£80,300

These sums were part of the larger sums in the Postal Branch Profit and Loss Account. Although this business could be regarded as distinct from the Postal Branch, the financial results were swallowed up in the Postal Branch accounts and the resulting surplus or deficit was not disclosed.

396. The Committee was aware that the rates of commission and poundage had been increased steeply, but the new rates had not been increased sufficiently to make up for the deficits.

397. The Committee was also informed that the money orders were financed through the Money Order Trust Account; this was not part of the Public Account but rested in separate bank accounts under the control of the local postmaster and the Department. This trust account was used for a multitude of payments, including the payment of pensions. The total turnover of all items through the account in 1951-52 was more than £160,000,000.

398. The trust account was established by the advances from the Commonwealth Treasury, now totalling £325,000, and advances were made to local post offices handling money orders. Surplus cash was drained off the local advance accounts at regular intervals to avoid excessive cash holdings.

399. The Committee advances the opinion that consideration should be given by the Department to a separate profit and loss account for this business, or, at least, to including sufficient detail in the existing Postal Branch Profit and Loss Account to enable the results of the business to be ascertained.

PART XI.

ASSETS AND LIABILITIES OF THE DEPARTMENT.

(1) *Sites and Buildings.*

400. The values of sites and buildings in the balance-sheet are gross values and at 30th June, 1952 and 30th June, 1953, were—

	30th June, 1952.	30th June, 1953.
	£	£
Sites	5,622,162	6,045,000
Buildings	12,253,103	20,950,000
	22,825,265	26,971,000

401. A depreciation reserve is provided at the rate of 3 per cent. on the original book value of the buildings, the amount of that reserve being £1,313,442 at 30th June, 1952, and £1,330,000 at 30th June, 1953. These amounts are included in the balance-sheet as part of the total provision for depreciation shown there.

402. The Department provided an analysis of these assets to show the values of the sites and buildings which were wholly or partly occupied by the Department or not occupied by it as at 30th June, 1953—

GROSS VALUE OF BUILDINGS AND SITES.

	Buildings.	Sites.	Total.
	£	£	£
Wholly occupied by Department	20,231,000	5,192,000	25,423,000
Partly occupied by Department	493,000	303,000	796,000
Not occupied by the Department	202,000	548,000	750,000
Total	20,926,000	6,043,000	26,969,000
Depreciation reserve—Buildings	1,330,000	..	1,330,000
Net value, 30th June, 1953	10,596,000	6,043,000	25,641,000

403. A Register of Assets is maintained in which a record of each building and site, and values, is kept.

404. *Unoccupied Sites and Buildings*—At 30th June, 1953, the Department owned—but did not occupy—813 sites and 90 buildings, and it gave a statement of the years in which these had been acquired—

Year required	Vacant Sites.	Buildings.	Total.
Prior to 1945-46	72	8	80
1946-46	3	3	11
1946-47	10	5	21
1947-48	34	13	47
1948-49	46	10	62
1949-49	89	18	107
1950-51	272	10	288
1951-52	176	10	188
1952-53	100	1	101
Total	813	90	003

405. The purposes for which the holdings had been obtained were—

Purpose for which Pur-chased.	Vacant Sites.	Buildings.	Total.
Post office	272	52	324
Telephone exchange	47	18	65
Line depot	109	6	114
Staff residence	252	..	252
Rural automatic exchange	106	..	106
Broadcasting station	5	..	5
Primary works division	4	2	6
Repeater station	17	..	17
Training school	2	1	3
Stores	1	1	2
Workshop and garage	1	6	7
Mail branch .. .. .	..	2	2
Administrative .. .. .	..	2	2
Total	813	90	003

As the Department pointed out, the majority of the sites had been secured in the last four years. Of them, the 253 sites for staff residences had been purchased as a result of a Government decision of 1948 to provide houses for Commonwealth employees in country areas where suitable accommodation was difficult to obtain.

It has not been possible to erect houses on these sites because preference has had to be given, within the limits of the funds available, to equipment, exchanges and post offices. The Department stated that—

The present indications point to many of the residence sites remaining vacant for some years, and a close review is being made with the object of seeing whether it would be advisable to dispose of any of these blocks.

400. Apart from these sites, there were 581 vacant blocks of land held for new official buildings. The Committee was informed that an interdepartmental review of land holdings was under way; it was provided with a copy of the reply by the Department to the Treasury Circular 1053/G,3 of 13th March, 1953, on the matter. It has listed a few examples of sites held—

VACANT LAND.

Address.	Date of Acquisition.	Cost.
New South Wales—Ashford	1916	42
Beaconsfield	1923	600
Boomi	1919	18
Brooklesby	1924	137
Clovelly	1920	750
Western Australia—Denequin	1925	?
Freemantle South	1923	?

407. The Department explained its policy in the following terms—

Sites for post offices, telephone exchanges and most other purposes must be obtained well ahead of the requirements in order to ensure that the buildings, when erected, will be in a suitable location, having regard to the business activities, the distribution of population and the connection of telephone subscribers, without involving unnecessary construction costs. If this practice were not followed, it would be impossible in many cases for a new post office to be provided in the business section of a centre without compulsorily acquiring a block on which buildings had been erected. Then again, heavy additional costs would be incurred in providing lines to an exchange not situated close to the most economical distributing centre. Sites for line depots must also be obtained before land in suitable areas is built upon for business or residential use.

408. The Committee prepared a rough analysis from the Department's reply to the Treasury Circular 1053/G,3 explaining when the sites were likely to be required. It seemed that about one-third of the sites were expected to be used for construction by 1955; that two-thirds would not be required until after that date and up to 1962; or "when circumstances permit"; "when funds are available"; or for some other indefinite reason. Very few were stated to be not required.

409. Detailed explanations were obtained on a number of the sites listed in paragraph 400 above, and they are quoted to show the Department's attitude—

Vacant land, Ashford, New South Wales (cost £42 in 1916)—The Ashford Shire Council desires to purchase this site, however, and negotiations are proceeding with that body on the condition that an alternative site will be provided to meet Department requirements. At present, postal facilities are being conducted under Official conditions in leased premises for which the Department pays £150 per annum. An official building is required at Ashford as early as practicable.

Vacant land, Beaconsfield, New South Wales (cost £600 in 1920)—

At present, postal activities are being conducted under Official conditions in leased premises for which the Department pays £104 per annum. Plans for the new building have been prepared and it will be erected when funds are available.

Vacant land, Brooklesby, New South Wales (cost £137 in 1924).—

Postal activities at this centre are now conducted under Official conditions in leased premises for which the Department pays £130 per annum. These premises are unsatisfactory and a new building will be erected when funds are available.

Vacant land, Clovelly, New South Wales (cost £750 in 1920)—

A close examination of the requirements in the light of the past and future developments has shown that the most economical and satisfactory plan would be to erect an official post office building in the business centre of Clovelly West, on a site to be selected, from which letter and telegram delivery services to the Clovelly and the Clovelly West areas would be furnished. Therefore, the existing site at Clovelly, which is not centrally situated for the areas which the proposed official post office will serve, will be disposed of.

410. Of the 90 buildings referred to in paragraph 404, the majority are in the built-up business centres of

Sydney and Melbourne. If the Department stated, funds were available and vacant possession could be obtained, "a substantial proportion" of the buildings would be required within the next three or four years. The Department's reply to the Treasury Circular 1053/G,3 on this matter showed that it estimated about one-third of the 90 buildings were planned for use by 1955 and that two-thirds were required after that year up to 1960.

411. The Committee has chosen the following buildings as examples:—

Address.	Description.	Date of Acquisition.	Cost.	Purpose for Use of Buildings.
New South Wales—John Sands Building, George-street, Sydney	City building	1922	80,000	(a)
Pacific House, Pitt-street	City building	1931	165,000	(a)
Chippendale	Five cottages	1944	10,000	Garage extensions 1960
Gurray	Two cottages	1952	2,000	Post office 1960
Collaton	Brick buildings	1949	6,700	Post office and exchange 1960
Parkes	Cottages	1910	1,700	Extensions to post office not yet programmed
Western Australia—Central Hotel, Wellington-street, Perth	Hotel and eight shops	1911	152,028	(a)

(a) See paragraphs following.

412. The Department has supplied notes on some of these buildings from which the following paragraphs have been taken—

John Sands Building, George-street, Sydney (cost £30,000 in 1922)—

It was acquired by agreement in 1922 at a cost of £30,000, subject to existing tenancies, to provide extension to the Sydney General Post Office. The Department utilizes an area in the Building to accommodate administrative staffs.

The present agreement with John Sands and Co. is for a period of three years terminating on the 30th September, 1953, but the company has been advised that the Department would offer no objection to an extension until the 30th September, 1961.

Due to the increased demands for postal and telecommunication facilities the Department must enter in a stage of decentralisation of the activities now concentrated in the present General Post Office building and a site has been acquired in Redfern for the establishment of a new mail handling centre. In addition, arrangements are being made to remove the Main Trunk Exchange from the General Post Office to the Dalley Exchange building now nearing completion and certain administrative staffs now occupying areas in the General Post Office are to be accommodated in an office block recently erected at Waverton.

These developments have deferred the need for an early extension of the General Post Office building but the space now occupied in the John Sands building by tenants other than John Sands & Co. is required as early as possible for administrative purposes.

Pacific House, Pitt-street, Sydney (cost £165,000 in 1951)—

It was acquired by agreement on the 16th April, 1951, at a cost of £165,000 to provide accommodation for a post office to replace the existing Castlereagh Street Post Office at present located in unsatisfactory and inadequate premises owned by the Department at a rental of £571 per annum. The upper floors are required to accommodate administrative staffs.

The four tenants on the ground floor of Pacific House were advised early in 1952 to obtain alternative accommodation but the Department has not pressed for their eviction, as at present only the most urgent and essential building projects, such as the proposed telephone exchange buildings, are being launched. Funds cannot be made available at this stage for the conversion of the ground floor of Pacific House for use as a post office. Tenants have voluntarily vacated 3,100 square feet of space on other floors in the building, however, and this area is occupied by departmental administrative staffs.

When the Department obtains vacant possession of the ground floor the area will be renovated and fitted out for the conduct of postal business. This provision will be followed by abandonment of the leased post office premises in Castlereagh Street. As additional accommodation becomes available on the other floors, it will be utilised by administrative staffs.

Central Hotel, Perth (cost £152,028 in 1911)—Of the original area acquired, the portion having a frontage of approximately 100 feet to Forrest Place between the present General Post Office building and Murray Street was sold in 1927 to the Commonwealth Bank for £50,000.

It is now being renovated and refitted to accommodate the Department of Health, which is at present located in the General Post Office building.

Of the eight adjoining shops, one is being used by the Department and the remainder are leased under category-1 at a rental of £2,327 per annum on a monthly tenancy.

Facilities in the General Post Office, including Postal Hall and the Mail Branch, are already being overtaxed by public demand for service. Although arrangements are being made for other Government Departments, now occupying space in the building, to move to other accommodation, this will not relieve the position so far as space for the transaction of public business is concerned.

It is proposed, therefore, to use the shops as vacant possession is secured, to relieve progressively the pressure on public facilities in the General Post Office Building.

Although some temporary relief will be provided for staff accommodation as the result of the transfers of other Departments, the expansion of postal and telephone business in Western Australia, already pronounced is likely to be still more rapid following the establishment of the oil refinery at Kwinana and associated industrial development. In the circumstances, it is considered essential to retain this property to meet developments.

413. The Department assured the Committee that it was keeping a close and critical watch to restrict purchases to urgent and essential needs.

414. The Committee agrees with the wisdom of forward buying of sites and buildings to meet the further needs of the Department, provided the policy is pursued prudently. Its concern is with—

- (i) the large number of sites and buildings which the Department has on hand, for many of which there seems to be little prospect of use for many years to come, and
- (ii) the internal review by the Department of the continuing need for the sites and buildings which it has on its hands.

It seems from the facts presented to the Committee that the internal review is not adequate, otherwise it is likely that properties acquired before World War I would have been put to use for the Commonwealth. The case of the Central Hotel, Perth, specially calls for notice. The fact that the Department has earned a surplus of rent over expenses does not itself justify holding the property, nor does the prospect of its obtaining increments in value.

438. In reply, the Department claimed that the account was one account on a Commonwealth basis and that the sections had been established by the Department for its own convenience. Advances made by the Parliament had been made to the Post Office Stores and Transport Trust Account as a whole, and there had been no mention of sections in the votes.

439. For administrative purposes the Workshops Section was created out of the Stores Section on 1st July, 1952, as a part of the new system approved by the Treasury.

440. The workshops reconditioned, repaired and manufactured materials from stores and this function had always been financed through the Trust Account: from the inception of the account in 1933 to 1945 mainly on jobbing activities, and thereafter on processing and manufacturing of stores for stock as well.

441. In 1952-53, the Treasury agreed that the expenditure on labour and the value of stores used should be left as a debit in the Trust Account on the basis (since found to be incorrect) that the expenditure was within the purposes of the Trust Account. Each month, the value of the workshop production issued to jobs or returned to the stores was cleared from the Workshops Section of the Trust Account. Of the £2,135,704 debit balance in this section of the account at 30th June, 1953, the Department estimated that nearly 60 per cent. would be the unprocessed value of materials and/or components and the remaining 40 per cent. would be the value added in the course of processing, assembly, reconditioning and repair.

442. The Department would have no objection to three separate trust accounts as suggested by the Auditor-General, but it would require a further advance up to £4,000,000 to ensure that each account would always be in credit.

443. The Committee invited the Treasury to comment on these points of view. The Treasury policy was not in favour of the provision of large sums in trust accounts, for the money had to be obtained from taxation and it would not all be in use in the trust accounts. For that reason, also, the Treasury has favoured the use of one trust account for a number of purposes with a common interest—as for the sections of the Post Office Stores and Transport Trust Account. If separate trust accounts are provided for this account, sufficient funds would have to be provided to put the Workshops Suspense Section in credit—at least £2,200,000.

444. In the opinion of the Treasury, the workshops function could be regarded as covered by the purposes of the Trust Account as it was originally, but it was doubtful whether the now extensive activities came within those purposes. The Treasury explained that it had thought the Treasurer could establish trust accounts, and subsequently vary or define the statement of the purposes originally approved but within the general tenor of the original purposes. By an opinion dated 6th May, 1953, the acting Solicitor-General advised that in his opinion the Audit Act did not authorize the Treasurer to do this. The matter had not been settled.

445. The scope of the authority of the Treasurer over trust accounts generally is one for the Parliament.

446. With regard to the particular effect on the Post Office Stores and Transport Trust Account of the difficulties mentioned above, the Auditor-General thought

that the following entry would suffice in the Appropriation Act—

Advance to Post Office Stores Trust Account	.....
Advance to Post Office Transport Trust Account	.....
Advance to Post Office Workshops Trust Account	.....
Sub-total	.....
Less Amount provided by Post Office Stores and Transport Trust Account ..	.....
Balance	nil

That is, the existing Trust Account would sell its stores and balances to the new Trust Accounts.

447. The Treasury said it would be prepared to accept the Auditor-General's suggestion: but the Commonwealth Constitution envisaged credits of that nature being taken to revenue and expenditure being appropriated by the Parliament. As an alternative, the present Trust Account might be retained and subdivided into three sections, Stores, Transport and Workshops, and these could be established formally. Each section and the total for the Trust Account could be shown in the Budget Papers.

448. In the opinion of the Committee, a transaction of this nature and magnitude should receive the specific approval of the Parliament in a separate bill accompanied by an explanation of the transaction. It should not be adjusted through the omnibus provisions of the Appropriation Bills.

449. The Auditor-General said that he would seek an opinion from the acting Solicitor-General on the question of the Trust Account and the opinion, dated 30th December, 1953, has now been provided to the Committee. An extract from the opinion of the acting Solicitor-General is as follows:—

The questions asked by the Auditor-General, with the answers which, in my opinion, should be given to those questions, are as follows:—

(a) Q. Whether the Treasurer, having established the Post Office Stores and Transport Trust Account as a Trust Account within the meaning of section 62A of the Audit Act 1901-1920, had the power later to alter the name of the Trust Account and to amend its purposes?

A. No.
(b) Q. Whether the appropriations from the year 1933-39 to the year 1950-51 authorizing credits of specified amounts to the Post Office Stores and Transport Trust Account had the effect of legalizing the transport transactions in that Trust Account so as to bring them within the purposes of the Trust Account as amended in 1934?

A. No.
(c) Q. Whether Postal Workshops operational expenditure on salaries, wages and incidental expenses is within the purposes of either the Post Office Stores Suspense Trust Account or the Post Office Stores and Transport Trust Account?

A. No; however, the purposes of the latter account, if valid, would cover Postal Workshops expenditure in relation to transport.

450. The question whether the Treasurer had the power to alter the name of the Trust Account and amend its purposes has, of course, a much wider application than for this instance. The Committee is interested in this matter and in its general application, but refrains from any comment until it has examined a wider field of trust accounts. It had hoped to do this before the dissolution of the Parliament in 1954, but in view of the circumstances prevailing, it will not be possible to do so. The Committee records this matter as one which may profitably engage the attention of its successor.

451. The Committee has already indicated in its Report on the Department of Works,^(a) paragraph 110, that it favours splitting up composite trust accounts

(a) Fifth Report on the Department of Works presented to the Parliament on 6th October, 1953.

into separate accounts to disclose the transactions of the individual undertakings or activities so financed. In the case of the Post Office Stores and Transport Trust Account, the Committee feels that some discretion to disclose the transactions of the Stores, Transport and Workshops Sections would be desirable.

452. The choice will be whether there should be a single trust account with sections for stores, transport and workshops formally established, or three separate trust accounts for these three functions. The Committee prefers separate trust accounts to a single trust account with sections, but it would not press that view if large additional advances were required to enable the Workshops Trust Account to be established in credit. Whether or not a further advance would be necessary, or whether specific funds could be obtained from the Stores Section, would appear to rest on the need of the Stores Section for the present large credit balance on

hand, and for additional purchases to offset all stores issued and maintain stocks at the present level. The necessity for the workshops to continue to undertake the present volume of work must also be considered. The opinion of the acting Solicitor-General, quoted above, underlines the Committee's view that the most suitable method of dealing with the position is to submit specific legislation to the Parliament as soon as possible.

453. (ii) Stores.—The value of stocks on hand at 30th June, 1953, excluding stores in the workshops, was £17,158,000. The Department estimates that in 1953-54 it would require stocks to the value of about £20,800,000 and that the stocks held at 30th June, 1953, at the present rate of usage represented about 9.0 months' supply. The supply of individual items varied widely and the Department supplied the following table to show the main groupings of stores:—

STORES IN STOCK (MAIN STORES STOCKS) AT 30th JUNE, 1953.

Item.	Value of Stocks at 30th June, 1953.	Estimated Usage 1953-54.	Stocks held at Present Rate of Usage.	Value of Additional Orders placed at 30th June, 1953.
	£	£	Months.	£
Internal Plant—				
Exchange equipment—				
Public exchange equipment	3,152,000	3,414,000	11.0	2,813,000
Trunk exchange equipment	70,000	390,000	2.2	945,000
				(Includes a liability of £800,000 for the Sydney Trunk Exchange)
Miscellaneous exchange equipment (power, ringing, protection systems, maintenance parts)	1,030,000	1,156,000	10.7	659,000
Subscribers' apparatus—				
Telephone and parts	408,000	950,000	0.3	235,000
Switchboards	909,000	982,000	11.1	43,000
Miscellaneous subscribers' apparatus (switchboard parts, inter-communication telephones, bells, buzzers, dry cells, &c.) ..	237,000	551,000	5.1	263,000
Internal wires and cables	901,000	421,000	25.7	178,000
Carrier telephones and telegraph	505,000	1,132,000	5.2	1,481,500
Telegraph equipment	264,000	275,000	11.5	78,500
Radio and broadcasting	81,000	400,000	1.5	670,000
External Plant—				
Underground construction—				
Underground cable	2,944,000	3,036,000	9.0	930,000
Conduits and pipes, manholes fittings, &c.	297,000	569,000	0.3	323,500
Loading coils	124,000	165,000	9.5	127,000
Aerial construction—				
Copper wire	801,000	1,169,000	0.2	116,500
Pole line hardware	1,192,000	650,000	24.2	404,000
Steel beams and poles	412,000	160,000	29.3	23,000
General—				
Steel	731,000	350,000	25.1	73,000
Non-engineering—Major items (mail bags, uniforms, protective clothing, motor tyres and tubes, canvas and duck, &c.) ..	712,000	1,900,000	8.5	600,000
Miscellaneous—Engineering and non-engineering. This represents approximately 8,000 items of miscellaneous items of material ..	2,176,000	3,202,000	8.2	907,500
Total	17,158,000	20,800,000	6.0	16,759,000

454. The Department provided explanations for the stores holdings which appeared to be excessive. The general tenor is well illustrated by the following explanation of the stock holdings of pole line hardware and steel beams and poles:—

AERIAL CONSTRUCTION.

POLE LINE HARDWARE.

Stocks held at present rate of usage—24.2 months.

STEEL BEAMS AND POLES.

Stocks held at present rate of usage—20.8 months. These items are used chiefly on aerial trunk line construction and, because iron and steel are the basic raw materials involved, deliveries of orders placed during the early post-war years were delayed considerably. It was also necessary in most cases to place orders overseas to relieve the position in Australia and to assist local suppliers in meeting the demands of private industry.

The quantities ordered were reasonable for the needs of the programme planned in accordance with Government

approval and were within the limits of the approved forwarding authority. The improvement in the supply situation coincided with the 1951 reduction in staff and, although urgent action was taken by the Department to cancel orders wherever practicable, the cut in Lines staff which had to be effected has made it impracticable for the Department to absorb the materials delivered as readily as expected. Had the programme proceeded on the lines planned and with the 1950-51 staff available for trunk line aerial work, shortages would now be imminent.

The extent of the action taken by the Department to cancel contracts wherever practicable is shown by the fact that approximately £350,000 of orders for steel poles and beams and £150,000 for pole line hardware have been cancelled.

455. The Department pointed out that the Royal Commission of 1910 had recommended^(a) that six to nine months' reserve stocks should be held and its own

(a) Report of Royal Commission on Postal Services 1908-10, Recommendation 10—see Appendix No. 2.

experiences was that reasonable stock holdings were essential if it was to provide and maintain an efficient service.

As far as the existing stores are concerned the Department assured the Committee that the materials at present in excess of a normal supply were well stored and were not obsolescent. The real value of these stores was greater now than when they were purchased so that no loss to the Commonwealth was anticipated.

457. The reduction in the Department's Engineering Capital Works programme in 1951, when the labour force was reduced at the Government's direction by nearly 2,000, coincided with some improvement in the supply position. The Department, however, said it acted vigorously to keep its commitments within bounds and, amongst other things, cancelled orders in 1951-52 and 1952-53 by about £1,630,000 and kept new orders to a minimum.

458. The main methods of purchasing are—

- (i) Collective Schedule contracts,
- (ii) Local purchases, and
- (iii) Purchases through Commonwealth Supply and Tender Board.

459. About 85 per cent. of the total materials used are purchased under the Collective Schedule system, which provides for Central Office buying. Requirements of standardized stores of the States are assembled at the Central Office under a time-table to enable an even flow of work. As the procedure takes some time and there is a further waiting period between the placing of the order with a contractor and the receipt of the goods, the requirements are for periods commencing, as a rule, about twelve months ahead and for over one or two years' needs. Financial authority for these orders which will fall due for payment in the future is obtained through the Treasury: a programme of forward ordering is compiled and presented to the Treasury for its approval. The Department quoted, as examples, the Government approval to order equipment up to £12,000,000 given in May, 1950, and the corresponding authority for years beyond 1952-53, recently given, of £7,500,000. Subsequent proposals to purchase are checked against the approval and a certificate that a proposed purchase is within the financial limits laid down is obtained in every case. Local purchases cover items such as gravel, sand, poles and the programme system is used, although on a State basis. The programme and monthly expenditure on local purchases are examined by the Central Office.

460. Some materials are obtained through the Commonwealth Stores Supply and Tender Board—stationery and envelopes, petrol, oil and tyres.

461. Forward ordering was commented upon by the Auditor-General in his Annual Report for 1952-53, paragraph 126, and the Committee thinks that this matter might well be examined comprehensively by its successor.

462. The Department claimed that its stockkeeping was satisfactory, and to give point to this, supplied the following figures of the results of stocktakings during 1942-43 to 1951-52—

Year.	Excess.	Deficiency.
	£	£
1942-43	3,800	4,141
1943-44	1,703	1,238
1944-45	1,081	973
1945-46	1,111	490
1946-47	691	490
1947-48	1,448	892
1948-49	2,358	1,058
1949-50	1,162	1,313
1950-51	1,296	1,200
1951-52	2,420	1,330
	17,293	13,200

The turnover through the stores in 1951-52 was £53,709,707 and the small net variation of £1,099 (credit) was claimed to be insignificant. In 1952-53, a serious loss of copper wire valued at £7,784 by theft in Victoria by two persons, not employees of the Department, occurred, but this was an unusual event, as the record shows.

463. The Department explained that, as a general rule, stores were delivered to a store and then to the field and only a small quantity would go direct to a job. All issues were by requisition properly authorized and at a standard rate, whether the goods had passed through a store or not. The standard rate included a percentage on cost to recoup to the Stores and Transport Trust Account the cost of the Stores Section which, in 1951-52 amounted to £1,036,000. This included £265,000 for freight and cartage.

464. The Department assured the Committee that a proper system of checks existed to ensure that excessive quantities of stores were not issued and that any surplus stores were accounted for. The Department stated that it was satisfied that it had adequate stores control at all stages.

(4) Telephone Debts.

465. The Department explained that the amount of telephone debts shown in the balance-sheet included—

- (i) Issued accounts unpaid at the 30th June,
- (ii) Trunk line calls made but not included in accounts issued up to 30th June, and
- (iii) Corresponding adjustments for local calls and rentals.

The Committee noted that the percentage of telephone debts to the revenue of the Telephone Branch was, at 30th June, 1951 and 1952, double that at 30th June, 1940 and 1941, as follows—

Year.	Debt, 30th June.	Telephone Branch Revenue for Year.	Per cent.
	£'000.	£'000.	
1940	943	8,810	7.3
1941	664	9,192	7.2
1951	3,765	24,292	15.5
1952	4,986	32,751	15.2

466. The Department explained that the accounts sent out in June cover local and trunk-line calls up to 30th April, and the accounts sent out in July would include the calls up to 31st May, i.e., in the previous financial year.

467. The accounts were issued as expeditiously as the present staff could handle them; but, although the Department's intention was to keep the work up to date, the issue of accounts had dropped behind as a result of the increase in charges in 1950-51, and, in 1952-53, as a result of the increase in the number of local calls and trunk-line calls. The Department assured the Committee that the amount of bad debts was negligible.

468. It appeared to the Committee that the delay in getting accounts out was now much greater than pre-war.

(5) Contracts let for Line Work.

469. The Department informed the Committee that it had been its practice to credit telephone, trunk and subscribers' lines, to lay conduits and underground cables and to dismantle abandoned pole routes by its own labour force. In 1951, the Postmaster-General approved of the invitation of tenders for a small number of works—

This decision was not based on any plan to introduce a system which would result in dispensing with the services of the staff employed by the Post Office.

The purpose underlying the decision of the Minister was to determine whether the contract system could be used in an economical manner to supplement the activities of the Department's labour force and thus accelerate progress in the areas of urgent and essential works for which the public was clamouring.

470. Generally speaking, the Department was satisfied with the standard of the contractor's work. Details of the contracts, and cases where tenders were called but contracts were not let, are set out in Appendix No. 14 with remarks by the Department on each case.

471. The Department stated that—

It was not generally intended to displace postal workers from their normal employment. The matter of entering into contracts for further line works is receiving consideration, but these will not be extensive in comparison with the normal programme of line works which are carried out by departmental personnel.

472. The Department also stated that it was not its intention to enter into contracts of this nature as a series of tests against departmental costs. That was a matter for ministerial decision. The Department agreed, however, that the comparison between the contract prices and departmental costs was an interesting one.

473. These contracts are mainly to make use of available funds and are undertaken in the more outlying regions where the Department would experience difficulty with accommodation, transport, supplies and supervision. In these circumstances, there is, in the opinion of the Committee, a legitimate case for contract work of this nature, particularly since the estimate of costs appear to justify it. The other aspect of the contracts is their use as a test against the departmental costs.

PART XII.

SUMMARY OF CONCLUSIONS.

474. The Committee has examined a large number of statements covering the activities of the Postmaster-General's Department and has discussed them with departmental and other witnesses at length. Throughout the Report it will have been observed that the Committee has insisted that the business management of the Post Office should not be subordinated to its status as a government department. The Committee realizes, however, that whether it is looked at as a government department or as a business undertaking, the services offered to the public, and the rates or charges that will be fixed for those services, will be decided by the Cabinet on the recommendation of the Minister, i.e., the Postmaster-General. If its appraisal as a government department predominates, there is no effective yard-stick to measure costs, and, therefore, to fix the rates that should be charged.

475. The effect of the dual character of the Post Office as a gigantic service organization, and as an immense business using commercial practices and tests to measure its efficiency, has already been discussed.

476. The Committee cannot over-emphasize the importance of comprehensive commercial accounts, and it has constantly used them for evaluating the results of the Department as a whole, as well as for the branches in each State. It seems to the Committee that the Department has not used the accounts for a similar purpose.

477. It has been able to supply comprehensive data to the Committee covering the technical operations of the services provided by the Post Office as well as its plans for the continued improvement of the services.

478. The Committee feels that the departmental organization has been primarily concerned with the technical efficiency of its services, and that the business management of the undertaking, including a full appreciation of accounts and costs of the organization has been relegated to a less important position.

F.369.—4

479. Had the Department carried through the Post Office organization the conception that the charges for the several services are influenced by the results of the financial operations as disclosed by the Commercial Accounts, the Committee believes that the Post Office would have concentrated less upon the departmental votes that it appears to have done. It would also have used the Commercial Accounts as an aid to efficient management as between the branches as well as for the Department as a whole. Had the comparative costs of the branches been subjected to closer scrutiny, the Committee believes that costs might have been substantially reduced.

480. The conclusions of the Committee on specific matters discussed in the Report are as follows—

Functions.

- (1) The statement of functions of the Postmaster-General's Department should be reviewed.

Status.

- (2) Although organized on traditional departmental lines, the Postmaster-General's Department should also be regarded as a business undertaking.

Importance of the Commercial Accounts.

- (3) The Postmaster-General's Department's Commercial Accounts are important in the consideration of Commonwealth finance and should record all the revenue and all the expenditure accruing for the year.

Form of the Commercial Accounts.

- (4) The form of the Postmaster-General's Department's Commercial Accounts could be improved.

Scrutiny of the Commercial Accounts.

- (5) (a) The Auditor-General should undertake the audit of the Commercial Accounts, having in mind the Committee's comments on disputed items, and
- (b) The scope of regulation 127(3) of the Audit Act should be reviewed and, if necessary, amended, to ensure that the Treasurer possesses the power to prescribe the form of the subsidiary accounts of Commonwealth departments.

OVERHEAD CHARGES.

General Administrative Expenses.

- (6) The volume of the General Administrative Expenses should be kept under critical review by the Department.
- (7) The system of depreciation of assets followed by the Postmaster-General's Department should have been reviewed long since—

- (a) In any review of the present system of depreciation of assets of the Postmaster-General's Department, account should be taken of the ability of the Department to keep the maintenance of the assets up to date.
- (b) The differences in the treatment of depreciation reserves—whether as book entries or trust account credits, by Commonwealth departments should be reviewed by the Treasury.
- (c) The differing practices adopted in regard to depreciation may be seen from the fact that the Commonwealth Railways takes into account sinking fund payments while the Postmaster-General's Department provides for depreciation.

- (d) The gross value of motor vehicles should be shown in the Balance-sheet of the Postmaster-General's Department as are the values of other assets.

Superannuation Liability.

- (8) (a) The amount of the liability for the Commonwealth proportion of superannuation for present employees accruing in the year in question should be included in the Commercial Accounts of the Postmaster-General's Department.
- (b) The additional Commonwealth liability for superannuation for its present employees arising from more liberal superannuation conditions should be included in the Commercial Accounts of the Postmaster-General's Department.
- (c) The differences in the treatment by Commonwealth undertakings (subject to the Audit Act) of superannuation liability should be investigated by the Treasury.
- (d) Gross contributions to the cost of superannuation could, with advantage, be shown in the reports of the Superannuation Board and of Commonwealth undertakings.

Capital, Interest and Exchange Charges.

- (9) (a) The amount of capital of the Postmaster-General's Department to be included in its Commercial Accounts should be determined without delay.
- (b) The present basis of charges for interest on capital in the Commercial Accounts of the Postmaster-General's Department has long been anomalous; the proposed revision by the Department, the Audit Office, and the Treasury should proceed expeditiously.
- (c) A general statement on charges for interest to Commonwealth undertakings, and the specific proposals for the Postmaster-General's Department will be submitted to the Committee by the Treasury.
- (d) The method of apportionment of charges for interest and exchange between the branch accounts of the Postmaster-General's Department should be discussed by the Department with the Audit Office and the Treasury.

Fire Insurance.

- (10) The desirability of a common practice, or common principles, governing insurance reserves to be followed by Commonwealth undertakings should be examined by the Treasury.

Services for Other Departments.

- (11) (a) The charges for the services rendered to other departments should continue to be reviewed regularly by the Postmaster-General's Department.
- (b) The Post and Telegraph Rates Act 1902-1951 and the Electoral Act 1918-1953 should be amended to permit cash payments as between the departments concerned for meteorological telegrams and for the carriage of electoral matter.

Food Cafeteria Services.

- (12) (a) Losses incurred in the operation of cafeterias should be included in the Annual Estimates so that they will be disclosed to the Parliament.

- (b) The preferable procedure in regard to the Cafeteria Trust Account would, in the particular circumstances, have been initially to repay to the Consolidated Revenue Fund any surplus funds in the account.

UNIT COSTS.

- (13) (a) Despite the difficulties involved in determining unit costs for the branches as between States, these costs are considered by the Committee to be of value in helping to ensure the efficient administration of the Postmaster-General's Department.
- (b) The accounts of the Postmaster-General's Department should be compiled and published in its Annual Reports on a State basis for each service.
- (c) Reasonable units of comparison within the accounts of the Telephone, Telegraph and Postal Branches should be established.
- (d) A comparison of the unit costs of each of these branches as between States, should be included with the accounts with brief explanations.
- (e) The branch results in total and on a unit basis should be reviewed regularly.

TELEPHONE BRANCH.

Tariff.

- (14) The measured rate system is favoured by the Postmaster-General's Department as against that of the flat rate or any other variant of the measured rate system.

Tariff Policy.

- (15) The tariff policy of governments has been to treat the financial operations of the Postmaster-General's Department as a whole and this policy has been extended to individual services such as rentals, business and residence telephones, larger networks, extra mileage charges, press charges, and public telephones.

Staffing.

- (16) (a) The method of dual control of staffing of the Postmaster-General's Department exercised by that Department and by the Public Service Board illustrates the extent of the compromise that has been necessary in distinguishing the Department—
- as a government department, and
 - as a business undertaking.
- (b) Statistics of telephone operating staff indicate that the output of the staff is as good as in 1936-37.

International Comparisons.

- (17) Having in mind the difficulties of international comparisons, the charges for telephone services do not appear to be unreasonable by comparison with charges for overseas services.

Profit and Loss Accounts 1939-40 and 1951-52.

- (18) The expansion of business, higher wages and higher prices of materials have resulted in the rate of expenditure in 1951-52 showing a substantial increase over that of 1939-40.

Profit and Loss Account 1951-52.

- (19) (a) States' results showed surpluses on local and trunk-line business in New South Wales and Victoria, deficits in South Australia and Tasmania, a deficit in one service and a surplus in the other service in Queensland and Western Australia, with a net deficit in Queensland and a net surplus in Western Australia.

- (b) Although the Department was reluctant to endorse the principle of State comparisons, the figures of local and trunk-line revenue and expenditure per subscriber's line served to point the Committee to variations between States in those factors which affect State figures.

- (c) The variations in rentals, extensions per line, average charge for a call and the volume of calls, the proportion of metropolitan to country lines, go to explain differences in revenue per subscriber's line between States.

- (d) The balance between incoming and outgoing interstate trunk-line calls could be important in comparing State revenue figures, but figures could not be obtained.

- (e) Factors such as the variations between States in the proportion of manual to automatic exchanges, the volume of calls, telephone directory costs and management, assist in the explanation of differing figures of expenditure per subscriber's line.

- (f) The system of free classified advertising notices which is confined to the Sydney and Melbourne directories, and the question whether advertising rates for those two directories should meet the costs involved, instead of having to rely on the surpluses from the various contracts for other directories, should be reviewed by the Department.

TELEGRAPH BRANCH.

Profit and Loss Accounts 1939-40 and 1951-52.

- (20) (a) The Telegraph Branch earned surpluses in pre-war years, but now operates at a deficit, a feature common to telegraph services overseas.

- (b) The cause of this position in Australia is seen in the percentage increase between 1939-40 and 1951-52 in expenditure per telegram of 216 per cent., compared with the percentage increase in revenue per telegram of 143 per cent.

- (c) As four-fifths of the expenditure of the branch is on wages, wage rates and output by staff are of predominant importance when expenditure is reviewed: wage costs per telegram increased between 1939-40 and 1951-52 by about 253 per cent. because of wage increases, penalty rates, shorter hours of work, use of adults in place of juniors; the average hourly output per telegraphist has increased during the period because of the increasing use of the direct printing machine system.

- (d) The grade of departmental service was not quite as good in 1951-52 as in 1939-40. Part of the explanation of this position was to be found in staff turnovers and inadequate accommodation. Particular attention should be paid to this problem.

- (e) Tables setting out the results of the Department's tests on the grade of service should be published in the Department's Annual Report.

- (f) Despite a fall in 1951-52 and 1952-53 in the number of telegrams sent, the increased rates charged from 9th July, 1951, have brought in higher revenue than would probably have been received had the rates not been increased.

- (g) There has been a fall in the number of words per telegram in 1952-53 because of increased rates, the greater use of leased lines, of code addresses, competition from airmails and trunk lines.

- (h) Urgent telegrams probably show a surplus to the Department and the proportion of telegrams sent at urgent rates has increased.

- (i) Press telegrams involve a considerable concession, but both the number and the proportion of press telegrams to total telegrams have declined.

Profit and Loss Account 1951-52.

- (21) (a) Costs per telegram for each State show costs on a uniform basis but there are different factors in the different States to be taken into account.

- (b) Interstate traffic, including "through" traffic, could affect the validity of the comparison of unit costs.

- (c) The differences in unit costs between the States have given rise to inquiries into the operating costs, repairs and renewals costs and other costs, the effect of the extent of the use of the machine system, and the employment of adults in place of junior staff.

- (d) The State branches should, in their own interest, be able to explain the differences in the unit cost of items of overhead expenditure.

- (e) There are wide differences in the unit costs of Chief Telegraph Offices, which the Department could explain only in general terms. State Directors should be induced to study their unit costs and to compare their own with those of other States, in a search for economies.

- (f) The Department should consider the restoration of interstate adjustments for interstate telegraph traffic.

Meteorological Telegrams.

- (22) Meteorological telegrams have constituted an important part of the business of the Telegraph Branch, but the increasing use of leased lines will further reduce the number of telegrams involved. The payment for the telegrams and for leased lines by the Meteorological Branch to the Department will place the two in the position of buyer and seller and, in that way, should contribute to an economical service. The Meteorological Branch should investigate the extent of the use of urgent rate telegrams.

POSTAL BRANCH.

Profit and Loss Accounts 1939-40 and 1951-52.

- (23) (a) The Postal Branch Profit and Loss Account shows, as in the case of the Telegraph Branch, surpluses in the pre-war years and deficits in recent years.

- (b) The bulk of expenditure of the branch is on salaries and wages, which have increased in proportion substantially more than have postage charges.

Profit and Loss Account 1951-52.

- (24) (a) Comparisons of State operations on the basis of "per £1 of revenue" are, for the reasons set out in paragraphs 247-250, not satisfactory.

(b) On the other hand a comparison made by the Committee of the costs of State operations on the basis of "per million postal articles handled" served as a guide to the Committee into variations between States.

(c) Variations between the States in exchange of mail, mail conveyance costs, mail handling costs, and miscellaneous costs, point to possible reasons for differing unit costs in the several States.

(d) Individual services show marked differences in surpluses or deficits; broadly, a profit on the ordinary letter rate operates to subsidize a loss on the bulk carriage of newspapers and periodicals.

(e) Regular reviews are made of the costs of parcels delivery.

Money Orders and Postal Notes.

(25) Consideration should be given by the Department to a separate Profit and Loss Account for the money order and postal note business, or to providing at least sufficient detail in the existing Postal Branch Profit and Loss Account to enable the results of the business to be ascertained.

Sites and Buildings.

(26) A more adequate review of the holdings of vacant sites and buildings not occupied by the Department should be maintained.

Stores and Transport Trust Account.

(27) (a) The comments by the Auditor-General on the Post Office Stores and Transport Trust Account in his Annual Report for

1952-53 justify a review of the operations of the Account under regulations 91 and 92 of the Audit Act;

(b) Particular consideration should be given to the correction of the present position of the Trust Account by presenting specific legislation to the Parliament as soon as possible; and

(c) The Committee prefers separate trust accounts for each section of the present Account but the situation requires examination.

Stores.

(28) The stores in excess of the normal supply could be regarded as well stored and not obsolescent; a proper system of checks on issues and usage was maintained, and the Department's control of its stores, as shown in stocktaking results, appears to be satisfactory.

Telephone Debts.

(29) The amount of telephone debts has increased, both in terms of money and percentage of Telephone Branch revenue. To some extent, this increase appears to be due to a lag in sending out accounts.

On behalf of the Committee,

E. A. BLAND, Chairman.

Secretary,

Parliament House,

Canberra, A.C.T.

25th March, 1954.

APPENDICES.

- Appendix No. 1.—Statements presented to the Committee.
- " 2.—Royal Commission on Postal Services
 - " 3.—Details of Cash Expenditure by Department on Ordinary Account.
 - " 4.—Commercial Accounts 1951-52.
 - " 5.—Organization Chart of the Postmaster-General's Department.
 - " 6.—Description of Branch Functions, Organization of Committees of Department.
 - " 7.—Views of the Status of Government Post Offices.
 - " 8.—Letter from Commonwealth Actuary dated 22nd September, 1953.
 - " 9.—Principles governing the Establishment of Cafeteria Food Services.
 - " 10.—Comparison of Rents, Local and Trunk Line Calls 1911, 1939-40 and 1951-52.
 - " 11.—Graph to Illustrate Output of Telephonists 1930-37, 1947-48 and 1951-52.
 - " 12.—Comparison of Charges with those of Overseas Post Offices.
 - " 13.—Postal Branch—Expenditure by States
 - " 14.—Contracts let by Postmaster-General's Department for Line Work 1951-53.

APPENDIX No. 1.

STATEMENTS PRESENTED TO THE JOINT COMMITTEE OF PUBLIC ACCOUNTS.

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|---|--|
| <p>Document No.</p> <ol style="list-style-type: none"> 1. Organization, Staff Establishment and Development. 2. Work performed for other Departments. 3. (Withdrawn.) 4. Variation of Working Results as between States. 5. Adjustment of Charges for Services. 6. Control and Management of Funds for Ordinary Services, Capital Works and Motor Transport. 7. Control and Management of Purchase and Use of Materials. 8. Control and Management of Staff. 9. Check on Standards of Service. 10. Basis of Provision of Facilities. 11. Break-up of each £1 of Income and Expenditure on Basis of Commercial Results, 1951-52. 12. Postmaster-General's Annual Report for 1951-52. 13-21. (Not relevant.) <p>GENERAL ITEMS IN PROFIT AND LOSS ACCOUNTS.</p> <ol style="list-style-type: none"> 22. General Administration Expenses. 23. Depreciation. 24. Superannuation and Pension Liability. 25. Interest and Exchange Charges. 26. Costs of Insurance. 27. Services provided by other Departments. 28. Basis of provision of Services. 29. Cafeteria Food Services. <p>TELEPHONE PROFIT AND LOSS ACCOUNT</p> <ol style="list-style-type: none"> 30. Break-up of Expenditure—Commonwealth. 31. Expenditure on a State Basis. 32. Expenditure on a Location Basis. 33. Expenditure on a Function Basis. 34. Revenue Charges and Calculation. 35. Comparison of Functional Revenue and Expenditure by States. 36. Explanation of Surplus. <p>TELEGRAPH PROFIT AND LOSS ACCOUNT 1951-52.</p> <ol style="list-style-type: none"> 37. Break-up of Expenditure. 38. Expenditure on a State Basis. 39. Expenditure on a Location Basis. 40. Expenditure on a Function Basis. 41. Revenue Charges and Calculation. 42. Comparison of Functional Revenue and Expenditure by States. 43. Explanation of Deficit. 44. Meteorological Telegrams. <p>POSTAL PROFIT AND LOSS ACCOUNT FOR 1951-52.</p> <ol style="list-style-type: none"> 45. Break-up of Expenditure. 46. Expenditure on a State Basis. | <ol style="list-style-type: none"> 47. Expenditure on a Location Basis. 48. Expenditure on a Function Basis. 49. Revenue Charges and Calculations. 50. Comparison of Functional Revenue and Expenditure by States. 51. Explanation of Deficit. 52. Commission on Money Orders, Postal Notes and work performed for other Departments. 53. Parcels Delivery Services. 54. Profit and Loss Account 1951-52. 55. Assets—Sites and Buildings. 56. Assets—Stores in Stock. 57. Profit and Loss Accounts 1951-52—General Administration Expenses. 58. International Adjustment of Accounts. 59. Telephone Branch—Profit and Loss Account 1951-52. Additional information required in respect of Documents 39-59 inclusive. 60. Cafeteria Food Services. 61. Erection of a Pole Route and Wires for 10 miles 30 chains in Coomboolie Area. 62. Construction of Telephone Line to Radlow Hill, Klauva, New South Wales—Erection of Telephone Exchange Building and Public Telephone Shelter, Swansva, New South Wales, Site for New Post Office Building. 63. Matters raised by Mr. J. S. Baker. 64. Contracts let for Line Works. 65. Clearances of Letter Receivers. 67. Broadcasting—Division No. 244—Technical and other Services. 69. Interstate Transfers of Officers. 70. Decline in the Number of Post Offices in Victoria. 71. Comparison of Mileage and Cost of Road Mail Services in each State for years 1939-40, 1951-52 and 1953-53. 72. Estimated Receipts and Expenditure—Categories of Postal Traffic, 1951-52. 73. Money Orders and Postal Notes. 74. Money Order Account. 75. Work performed for other Departments—Comments on Auditor-General's Submission regarding Document No. 2. 76. Apportionment of "Common Service Costs". 77. Telephone Rates. 78. Advertising in Telephone Directories. 79. Telegraph Branch. 80. Post Office Stores and Transport Trust Account. 81. Engineering Works 1953-53. 82. Junior Post Offices. 83. Reasons for the Retention of Certain Properties. 84. Profit and Loss Accounts 1951-52. 85. Postal Branch. 86. Telegraph Branch. 87. Tasmania—Costs of Repairs and Renewals. 88. Classified Telephone Directories. 89. Telephone Trunk Line Traffic. 90. Increase in Telegraph Charges 1939-40 to 1951-52. 91. The Hunter Valley Switching Scheme. 92. Increases in Post Office Costs. 93. Issue of Materials for Engineering Capital Works. (Not relevant.) 94. (Not relevant.) 95. Meteorological Telegrams. <p>AUDITOR-GENERAL.</p> <p>Letter dated 18th August, 1953, concerning the Audit of the Postmaster-General's Department's Commercial Accounts.</p> <p>Letter dated 10th October, 1953, concerning the Charges made by the Postmaster-General's Department for work done for other Departments.</p> <p>DEPARTMENT OF THE TREASURY.</p> <p>Accounts of Postmaster-General's Department—Sources of Capital and Public Debt Charges.</p> <p>Reconciliation between the Postmaster-General's Department's Capital Figure and Treasury Capital Figure.</p> <p>Return of Sites and Buildings of the Postmaster-General's Department not wholly occupied by that Department.</p> <p>COMMONWEALTH ACTUARY.</p> <p>Letter dated 22nd September, 1953, concerning Superannuation Liability of Postmaster-General's Department.</p> |
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APPENDIX No. 2.

ROYAL COMMISSION ON POSTAL SERVICES 1958-10. RECOMMENDATIONS ON FINANCE.

(8) That an effective and uniform system of keeping expenditure accounts be instituted. (See paragraphs 66-72 and 310-1.)

- (9) That an annual balance-sheet be issued. (See paragraphs 312-5.)
- (10) That the Postal, Telegraphic, and Telephonic Services be placed on a self-supporting basis. (See paragraphs 86-87.)
- (11) That the deficit be written off. (See paragraph 91.)
- (12) That the Estimate of Expenditure be not subject to reduction at the will of the Treasurer. (See paragraphs 49 and 97-101.)
- (13) That a capital account of £2,000,000 be necessary. (See paragraphs 127-0.)
- (14) That expenditure on telegraph and telephone repairs, instruments, materials, and maintenance be kept separate. (See paragraph 134.)
- (15) That a Departmental Fire Insurance Fund be established. (See paragraph 135.)
- (16) That a Materials Purchase or Suspense Account be established; that six to nine months reserve stocks be held; that a buying agent be appointed to purchase construction material at centres of production. (See paragraphs 138-6.)
- (17) That postage rates within the States be made uniform at 1d. per 3 oz. when the telegraph and telephone services are placed on a self-supporting basis. (See paragraphs 139-0.)
- (18) That the parcel and packet post be amalgamated. (See paragraphs 150 and 308.)
- (19) That the payment of bulk postage by stamps be abolished. (See paragraph 147.)
- (20) That the parcel post be extended to suburban districts. (See paragraph 152.)
- (21) That the insurance provisions in connexion with parcels be extended. (See paragraph 153.)
- (22) That postage stamps be printed at a Commonwealth centre. (See paragraph 155.)
- (23) That a uniform Commonwealth stamp be issued. (See paragraphs 156-0.)
- (24) That automatic stamping machines be introduced. (See paragraphs 157-0.)
- (25) That additional words in telegrams be charged at a lower rate than the first sixteen words. (See paragraphs 171-1.)
- (26) That rates for code and cipher telegrams be increased. (See paragraph 173.)
- (27) That Telegrams be paid for in cash instead of by stamps. (See paragraph 174.)

- (28) That the cable service be nationalized. (See paragraphs 176-183.)
 - (29) That the telephone flat rate be abolished. (See paragraph 194.)
 - (30) That the telephone flat rate "Purchase" system in New South Wales be abolished. (See paragraph 195.)
 - (31) That free telephone calls be abolished, and a measured service introduced. (See paragraph 197.)
 - (32) That the telephone rates be as follows:—Annual rental, £3 6s. per annum; calls, 6s. per 100 for first 300; above 300 up to 1,500, 4s. per 100; over 1,500, 2s. per 100 per half-year, respectively. (See paragraph 211.)
 - (33) That telephone trunk line charges be revived. (See paragraph 212.)
- (References to paragraphs are to paragraphs in the Report of the Royal Commission.)

APPENDIX No. 3.

DETAILS OF CASH EXPENDITURE BY POSTMASTER-GENERAL'S DEPARTMENT ON ORDINARY ACCOUNT.

	1930-40.	1940-41.	1950-51.	Estimate 1952-54.
Salaries, wages and allowances ..	5.9	6.2	47.4	60.3
Stores and materials ..	2	2	5.4	3
Mail services by outside agencies ..	1.5	1.5	5.0	6.2
Other expenses ..	4.7	4.8	7.4	7.8
Miscellaneous ..	1.4	1.4	7	6
Sinking fund ..	1.2	1.3	2.4	2.3
Exchange ..	.4	.5	.7	.6
Total ..	15.3	15.9	89.0	73.1

Sources—
1930-40. Finance Statement 1930-40, pages 40-50.
1940-41. Finance Statement 1940-41, pages 60-62.
1952-53 and 1953-54. Estimates 1952-54, page 105.

APPENDIX No. 4.

POSTMASTER-GENERAL'S DEPARTMENT—COMMERCIAL ACCOUNTS 1931-52.
BALANCE-SHEET ON 30th JUNE, 1952.

Liabilities.	£ s. d.		Assets.		£ s. d.	
	£	s. d.	£	s. d.	£	s. d.
Capital—			Fixed Assets and Plant—			
Treasury—For net capital funds to 30th June, 1952 ..	202,665,161	16 11	Telephone lines and equipment (excluding trunk lines) ..	134,703,136	8 10	
Add Net liability to Treasury on working account for year 1951-52 ..	5,676,191	1 3	Telephone lines and telephone trunk lines ..	25,030,029	10 7	
Treasury for—	208,241,357	18 2	Postal equipment ..	890,809	0 0	
Advances to finance the Money Order Account ..	525,500	0 0	Miscellaneous plant and equipment ..	7,400,303	10 2	
Revenue collections in the Money Order Account ..	345,466	9 3	Sites ..	5,923,162	0 3	
Sundry Creditors, viz.—			Buildings ..	17,203,102	11 4	
Other Departments—Collections on behalf of ..	90,385	11 0	Furniture and office equipment ..	1,027,832	3 11	
Telephones rents in advance ..	330,274	18 8	Total ..	138,546,308	12 1	
Tenders, contractors and others—For miscellaneous trust accounts ..	1,265,334	10 3	Deduct Provision for depreciation ..	11,691,021	0 0	
Money orders payable ..	581,022	2 9	Total Value of Fixed Assets and Plant ..	181,854,287	12 1	
Postal notes payable ..	203,189	0 0	Stores in Stock ..	18,864,107	4 7	
C.O.D. parcels collections ..	138,260	11 1	Treasury—For Monies held for—			
Sundry other creditors ..	2,660,641	8 10	Telephones rents in advance, also deposits lodged by contractors, &c. ..	1,608,317	4 0	
Other Liabilities—			Purchase of post office stores ..	737,604	18 4	
Postmasters—For advances to postmasters (including postage, State duty, beer duty stamps, entertainments tax tickets, postal notes, &c.) ..	2,469,622	7 0	Post office cafeterias ..	17,634	18 5	
Fire insurance reserve for stores in stock ..	112,411	0 0	Sundry Debtors, viz.—			
Reserve for depreciation of fixed assets deducted as per contra, £11,681,021 ..			Telephone debtors ..	4,984,897	2 3	
Profit and Loss Account for 1951-52—Net surplus, after charging interest ..	662,853	7 10	Postmasters—For balances held (see contra for advances) ..	4,918,053	10 5	
Total ..	217,863,223	10 10	Other accounts—For balances on money order account ..	383,727	0 11	
			Sundry other debtors ..	3,856,317	3 0	
			Negotiable Securities ..	45,621	8 1	
			Cash and Bank Balances at Head Offices ..	1,120,465	1 0	
			Total ..	217,963,223	10 10	

GENERAL PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 30th JUNE, 1952.

Dr.	Percentage of Total Income.		£ s. d.		Cr.	Percentage of Total Income.		£ s. d.	
	Percentage	Total Income.	£	s. d.		Percentage	Total Income.	£	s. d.
Expenditure as per Branch Accounts—					Revenue as per Branch Accounts—				
Telephone ..	47.17	20,330,600	10 11		Telephony ..	32.60	32,750,648	3 10	
Telegraph ..	11.62	7,235,390	5 6		Telegraph ..	10.23	6,381,799	0 11	
Postal ..	37.94	23,632,688	11 4		Postal ..	37.08	23,054,270	4 10	
Total Working Expenditure ..	96.63	60,688,752	7 9		Total Revenue ..	100.00	62,186,715	15 7	
Surplus, exclusive of interest, carried down—					Deficiency, exclusive of interest, carried down—				
Telephone ..	5.50	3,410,976	12 11		Telephony ..	1.36	843,898	18 7	
Telegraph ..	3.37	2,097,963	7 10		Telegraph ..	0.77	478,416	6 6	
Postal ..					Postal ..				
Total ..	100.00	62,186,715	15 7		Total ..				
Interest and Exchange Charges as per Branch Accounts—					Surplus, exclusive of interest, brought down ..	3.37	2,097,963	7 10	
Telephone ..	2.11	1,312,632	0 0						
Telephony ..	0.09	60,232	0 0						
Telegraph ..	0.11	60,346	0 0						
Postal ..	2.31	1,435,110	0 0						
Surplus, after charging interest—					Deficiency, after charging interest—				
Telephone ..	3.39	2,107,344	12 11		Telephony ..	1.45	800,828	18 7	
Telegraph ..	1.06	662,853	7 10		Telegraph ..	0.88	544,662	6 6	
Postal ..	3.37	2,097,963	7 10		Postal ..				
Total ..					Total ..	3.37	2,097,963	7 10	

* The net result for all branches is a surplus as per contra.

PROFIT AND LOSS ACCOUNT—TELEPHONE BRANCH (INCLUDING EXCHANGES, TRUNK LINES AND NON-EXCHANGED LINES) FOR YEAR ENDED 30th JUNE, 1952.

Dr.	Percentage of Total Income.		£ s. d.		Cr.	Percentage of Total Income.		£ s. d.	
	Percentage	Total Income.	£	s. d.		Percentage	Total Income.	£	s. d.
Expenditure—					Revenue—				
Operating and general expenses—					Rentals, licence fees, &c. ..	22.37	10,699,770	16 9	
Operating, management, and incidentals ..	28.98	9,491,122	18 10		Calls ..	30.63	9,801,882	13 6	
Rent, maintenance of buildings, water supply, &c. ..	1.18	388,300	3 0		Public telephone fees ..	2.07	874,132	16 5	
Total ..	30.16	9,879,483	1 10		Miscellaneous ..	1.86	612,354	13 8	
Repairs and renewals—					Trunk line fees ..	33.17	10,682,692	3 6	
Exchange equipment ..	12.98	4,249,747	13 5						
Exchange cables and conduits ..	8.02	2,630,007	1 9						
Exchange aerial wires ..	8.85	2,830,025	3 0						
Subscribers' instruments, &c. ..	8.24	2,686,900	15 0						
Automatic P.B.'s ..	0.59	194,212	14 1						
Trunk equipment ..	3.59	1,174,809	18 0						
Trunk aerial wires and cables ..	5.32	1,741,816	13 2						
Total ..	47.50	15,885,206	10 2						
Sub-Total ..	77.75	25,464,690	1 0						
Proportion of general administration expenses ..	3.83	1,252,875	0 0						
Depreciation ..	2.53	820,800	9 11						
Proportion of pensions and superannuation liability ..	5.45	1,783,224	0 0						
Total Working Expenditure ..	88.56	29,330,660	10 11		Total Revenue ..	100.00	32,760,648	3 10	
Surplus, exclusive of interest, carried down ..	10.44	3,410,976	12 11		Surplus, exclusive of interest, brought down ..	10.44	3,410,976	12 11	
Interest and Exchange Charges ..	4.01	1,312,632	0 0						
Surplus, inclusive of interest, transferred to General Profit and Loss Account ..	6.43	2,107,344	12 11						
Total ..	10.44	3,410,976	12 11		Total ..	10.44	3,410,976	12 11	

APPENDIX No. 6.

DESCRIPTION OF BRANCH FUNCTIONS, AND ORGANIZATION AND COMMITTEES OF THE POSTMASTER GENERAL'S DEPARTMENT.

The *Postal Services Branch* is responsible for the collection, transmission and distribution of inland and overseas mails and for the transaction of business at post office counters. This entails provision of facilities for the remittance of money and for collections and payments on behalf of other departments. Each post office is controlled by a Postmaster who is responsible for the efficient management of the office, including its telephone and telegraph business. He is also responsible for the discipline of Engineering Branch staff stationed at his office. Overall supervision of the activities at all post offices in his district is exercised by the District Inspector to whom the Postmaster is responsible.

The *Mail Branch* is responsible for the collection and distribution of mails within the city area of a capital city and for handling all mails passing through the General Post Office.

The *Telephone Branch* deals with the traffic and commercial activities of the telephone service. The Traffic Division, which is responsible for the standard of service to telephone subscribers, operates manual and trunk line exchanges, maintains records and checks of the volume of telephone traffic and determines staffing, trunk line and manual exchange plant requirements. The Commercial Division is responsible for contracts with telephone subscribers, public telephones, public lines in country districts, the conditions of supply of all classes of exchange and auxiliary services, opening new exchanges, hours of service and issue of telephone directories.

Country telephone services are supervised by District Telephone Officers who are responsible, under the State Superintendent, for all aspects of the service in their respective districts.

The *Telegraph Branch* is responsible for the operation, maintenance and development of all telegraph services. The staff at Chief Telegraph Offices in capital cities is under the control of the Superintendent, Telegraph Branch, but in suburban and country post offices telegraph work is performed by Postal Services Branch staff under the control of the Postmaster.

The *Interfering Services Branch* is responsible for the installation and maintenance of all telecommunication plant and equipment operated by the Post Office and National Broadcasting Service. The Central Administration of the Branch undertakes research in connection with radio and telecommunications.

In the State organization, the Branch is divided functionally and territorially. In New South Wales, Victoria and Queensland, the Superintending Engineer is assisted by two Assistant Superintending Engineers in charge of internal and external plant respectively. In New South Wales and Victoria, there is also a Deputy Superintending Engineer who attends to administration and general work. The functional sub-divisions in the larger States are shown on the Chart. In the smaller States they are—

- Telephone equipment installation and maintenance;
- Line plant installation and maintenance;
- Long line equipment installation and maintenance;
- Telegraph equipment installation and maintenance;
- Radio equipment installation and maintenance; and
- General works, including drafting services, workshops and transport.

The territorial organization in the States operates through the division of each area into Districts. Each District is controlled by a Divisional Engineer who is responsible for day to day maintenance and installation of telecommunications plant in the capital cities, there are Supervising Engineers with certain functional and, in some cases, geographical responsibilities.

The *Personnel Branch* deals with all establishment and staff matters, including measures for improvement of efficiency, welfare and moral and application of decisions and awards of industrial tribunals. It oversees organization and methods throughout the Department and is responsible for filing and recording all correspondence. The Personnel Branch also deals with public relations activities and general administrative matters.

The *Finance Branch* is responsible for the accounting system of the Department, the custody of its funds and paper values, the collection of rates and the control and issue of postal money order and postal note services. It is the paying authority on behalf of the Department and is also responsible for general economic advice on Departmental operations.

The *Building Branch* is responsible, from the Post Office standpoint, for the acquisition of premises and buildings, the planning of buildings, the provision of furniture and the repair and maintenance of lifts, light and power, air

conditioning and other engineering services associated with buildings; also provision of mail handling and other postal equipment.

The *Stores and Transport Branch* is responsible for the purchase, storage and issue of all materials used by the Department. It also controls all Departmental vehicles, except those used solely for engineering purposes which are under the control of the Engineering Branch.

The *Wireless Branch* is responsible for licensing all civil wireless communication stations established in the Commonwealth and Territories and for allocating the frequencies on which both civil and defence stations may operate. It issues broadcast listeners' licences and it examines candidates for all classes of certificates of proficiency in wireless operation. It is also responsible for checking all transmitters, for monitoring civil services to ensure compliance with local and international laws and for inspecting ship stations, including those on visiting overseas vessels, to ensure that legislation concerning the safety of life at sea is being observed. Further functions of the branch are the investigation and suppression of interference to broadcast reception and detection of unauthorized transmitting and receiving stations.

Although each Branch has clearly defined functions all Branches are mutually dependent and co-operate to a great extent in their day to day activities. The Telephone and Telegraph Branches, for example, are dependent on the Engineering Branch for the erection and maintenance of equipment to enable them to provide services. The Finance Branch administers the money order and postal note services and is responsible for accounting, but the field duties associated with these services are performed by staff of the Postal Services Branch. Salaries are paid by the Finance Branch, but reductions in salary can be made only on receipt of advice from the Personnel Branch. The Postal Services Branch is dependent on the Stores and Transport Branch for vehicles and drivers to clear and deliver mails.

COMMITTEES.

Several committees, consisting of representatives from the various branches, have a definite place in the organization of the Post Office. The representation from the branches concerned is at the highest level, and in any advisory capacity, report direct to the Director-General, or, in the case of the States, to the Director.

These committees are—

Head-quarters Advisory Council and Regional Advisory Councils—The Post Office Head-quarters Advisory Council is a consultative body consisting of the Deputy Director-General and Assistant Directors-General in the Central Administration, meeting under the chairmanship of the Director-General. A selected State Director is also a member. While its function is principally advisory, the Council provides those in charge of important sections of the Post Office with a closer understanding of the basis of decisions and a clear picture of the reasons why certain actions are taken. It is a forum in which broad issues of policy are discussed and from which heads of branches may obtain the views of all their colleagues when proposals are in the formative stages. One of the aims of the Council, which has proved of great value in planning policy, is to foster a feeling of collective responsibility.

Similar bodies, known as Post Office Regional Advisory Councils, exist in the States.

Stamp Advisory Committee—The main functions of the Stamp Advisory Committee are to recommend new postage stamp issues, to evolve designs and determine colours and make such recommendations as may be considered necessary for stamp production generally. The Committee consists of the Deputy Director-General, the Assistant Director-General (Postal Services), the Assistant Director-General (Finance), the Director of the National Gallery of Victoria and two well-known philatelists. As the production of stamps involves technical considerations, the General Manager of the State Printing Branch of the Commonwealth Bank, where all stamps are printed, attends the meetings of the Committee in an advisory capacity.

Tenders Board—Materials required by the Post Office in quantity are generally purchased after tenders for their supply have been called. In the Central Administration a Tender Board, consisting of the Assistant Director-General (Postal Services), the Assistant Director-General (Finance) and the Assistant Director-General of the Branch for which the materials are being purchased, examines all tenders and, except in specific cases where the Director-General's approval is necessary, decides which tenders are to be accepted.

Similar Boards exist in the States for purchase of materials over £200 in value over £100. However, in these States, can only recommend acceptance of tenders to the Director.

Works and Services Committee—This Committee, which consists of representatives from the Finance, Buildings, Engineering Services, Postal Services, Stores and Transport and Telephone Branches, deals with matters relating to the annual estimates, the control and allocation of funds, the Engineering works and Buildings programmes, the Post Office Stores and Transport Trust Account, expenditure generally and the ordering of materials. It is also responsible for the co-ordination of projects and materials supplies and for recommending to the Director-General the relative priorities to be accorded to projects in the overall works programme. Similar Committees, responsible to the Directors, exist in the States.

Improvement Board—At Head-quarters, this Board, which comprises the Assistant Directors-General, Engineering Services, Postal Services and Telephones, deals with suggestions made by members of the staff to secure economy or greater efficiency. It has been a valuable means over the years of stimulating the interest of employees, improving methods and effecting savings.

APPENDIX No. 7.

VIEWS ON THE STATUS OF GOVERNMENT POST OFFICES.

COMMONWEALTH.

(1) Report of the Royal Commission on Postal Services 1908-10.

83. From evidence presented by various leading officials in the Post and Telegraph Department, the Treasury Department, the Audit Office and also by representatives of Chambers of Commerce and mercantile firms, the following four propositions may be deduced—

- (1) That the service should be conducted without concern as to its solvency, the Department relying on Consolidated Revenue to reimburse losses.
- (2) That the services should be conducted on a profit-making basis, the Department being treated as a commercial proposition.
- (3) That the services, with special provision for non-paying sections, such as mail subsidies and outlying services in country districts, should be self-supporting. Such special provision to be made by grants in aid from Consolidated Revenue, or by grants of assistance from the States' Governments.
- (4) That the services should be self-supporting as a Commonwealth concern.

84. With regard to the first proposition, your Commissioners consider that this has to a great extent been the financial policy of the Department in the past, and that it is a policy that calls for immediate alteration.

85. As to the second proposition, your Commissioners desire to dispose of at once of the propriety of making the services profit-making since the Department, as well as performing functions of a postal character, provides facilities which tend to develop the country. In many instances continuous settlement depends upon constant and regular mail services. This is notably the case in outlying parts of Western Australia and Queensland, where ordinary necessities of life are supplied by means of the mail services. In such cases it can be said that these services are ancillary to the maintenance of progressive settlement, and tend to ameliorate the conditions of the pioneering section of the Commonwealth.

Subsidies for mail and cable services can be classified for treatment as in the preceding paragraph. It can readily be understood that outside the immediate interests of the commercial community a speedy overseas mail service and a cheap cable service perform national work of the highest importance, such services being the connecting link between Australia and the outside world. The subvention increase to the Orient Mail Service, in addition to the conveyance of mails, provides a means of facilities for the carriage of perishable products. This increased cost should not, in the opinion of your Commissioners, have been debited against the Post and Telegraph Department, but against Consolidated Revenue.

86. In regard to the third proposition, viz, that the Department be self-supporting with certain grants in aid for special services, your Commissioners are of the opinion that grants in aid are not justified in the case of the services which should be treated as a complete financial proposition. The revenue from States with large population and larger volume of business should (without unduly increasing the rates) be applied to the losses on the services in less populous States. Your Commissioners did not obtain information sufficient to warrant

them in recommending that the States' Governments should take the Commonwealth in connection with unremunerative services which will assist in development.

87. Regarding the fourth proposition that the Department be self-supporting as a Commonwealth concern, the balance of evidence is in favour of the services being made self-supporting as far as possible. Your Commissioners recommend that the Department should be self-supporting as a whole, and consider that the practical method of doing this is to have the services should be viewed as a Commonwealth concern, and the term "self-supporting" should be applied to the functions of the Department as a whole, irrespective of any particular State, and also to each main branch of the services, viz., postal, telegraphic and telephonic.

UNITED KINGDOM.

(2) Report of Committee of Inquiry on the Post Office 1932 Cmd. 4149 (Bridgeman's Report).

8. By the term "status" as used in our terms of reference we understand is meant the relationship in which the Post Office stands, through Parliament and the machine of Government to the people of this country; by the term "constitution" the concrete form in which such relationship is embodied.

9. The present constitution and status of the Post Office are, generally speaking, those of an ordinary Department of State. The Department is under the charge of a Minister, the Postmaster-General, assisted by a Parliamentary Under-Secretary. The Postmaster-General is responsible to Parliament and is subject to Parliamentary control and interpellation in respect of the same way as the Minister in charge of other Departments. The Post Office is subject to the normal Treasury control in matters affecting expenditure and staff.

48. It has been represented from many quarters that this position would, and can only be, remedied by sweeping changes in the status of the Post Office and the transfer of the control and administration of its Communications Services, either in whole or in part, to an independent authority of the Public Utility Company or Statutory Corporation type.

49. We have examined the arguments in favour of the total transference to a body of this character of all Post Office Communications Services (Mail, Telegraphs and Telephones) and we are definitely of opinion that such transference is impracticable, nor do we believe it to be either necessary or desirable. We consider that the only way in which the influence which Parliamentary discussion and control alone can give.

50. We do, however, consider that the main causes of such defects as may exist, are the two described in paragraph 40, viz., the relationship between the Post Office and the Exchequer, and the internal organization of the Department, and we believe that the faults to which attention has been drawn, can be eradicated by certain modifications of financial status and by changes in organization at least as effectively as by the revolutionary step of removing the Post Office Communications Services from direct Government control.

51. As we have indicated, we have formed the opinion that one of the main obstacles to the more effective performance of the Post Office is the absence of what may be termed "self-contained" finance. So long as the existing financial arrangements continue, so long will the tendency to regard the Post Office as a revenue-producing instrument obscure and impede the primary functions of the Post Office to the public. By self-contained finance we mean firstly a system under which the Post Office, after making a certain agreed annual contribution to the Exchequer would be allowed to use the surpluses, after making the necessary reserve, for the benefit of the public, the improvement of services and the development of its business. Self-contained finance would enable the management of the Post Office to concentrate on the service of its public instead of being faced with dual and often conflicting objectives.

52. We believe that one of the most important effects of substituting a system of self-contained finance on the lines indicated here, will be to give to the Post Office administration a healthier outlook and a more definite objective. The knowledge that increased profits will be absorbed in their entirety by the Exchequer, will be a powerful deterrent effect upon enterprise and to encourage, to some degree, inertia in the place of activity. We believe that energetic direction can only be ensured by the knowledge that the Exchequer cannot fail to be employed for the advantage of its customers, the public, a radically different outlook would, we believe, be created.

53. Similarly, we hold the view that a powerful stimulus to the Post Office staff effort would be given by the fact that the Post Office had to safeguard the Exchequer contribution while at the same time satisfying its customers that it was giving

proper attention and a reasonable return for their money. In these circumstances the judgment of proposals by commercial standards and services subject to audit by the Comptroller-General and in accordance with procedures determined by the Accountant-General, these procedures to be approved by the Comptroller-General.

We wish to emphasize our recommendations elsewhere that the Department should keep its own accounts and make its own disbursements subject to audit by the Comptroller-General and in accordance with procedures determined by the Accountant-General, these procedures to be approved by the Comptroller-General.

The experience of the Federal Government in many of its business enterprises has already pointed the way to the solution of these problems in the Post Office. The Government Corporation Control Act of 1946, as amended, provides for a "business form" of budget, accounting and audit, and gives modern business flexibility to the management of those concerns. Already several billion dollars annually of Government business is done under those provisions.

We do not recommend that the Post Office should be incorporated under that law, as we consider that to be unnecessary.

Recommendation No. 6.

We do recommend that the provisions of the law in respect to business management, budgeting, accounting, and audit be applied to the Post Office.

Such a provision will bring the Department into step with modern business methods and will not lessen Executive or Congressional controls. At the same time it will provide flexibility in management, simplification of budgeting, accounting, and audit which will result in large economies.

127. To sum up—We do not consider that the change in the status of the Post Office to that of a Public Utility Company or Statutory Authority, either wholly or in part, is desirable. In public interest we feel that the Parliamentary control which exists at present is essential in a business of such a national character. Nor do we feel assured that a change of this kind would remedy the alleged defects of administration.

The criticisms, so far as we find them to be justified, in our opinion point to defects in the present organization which can be remedied without such a complete change of status.

UNITED STATES OF AMERICA.

(3) The Hoover Commission Report.

BUDGET, ACCOUNTING, AND AUDIT.

The whole accounting and administrative problem of the Postal Service is confused by the present form of the budget. Currently the Service is operated under 58 separate appropriations, each of which must be independently justified by the Department, reviewed and approved by the Congress, and apportioned to individual post offices for each quarter by the Bureau of the Budget. Individuals of approximately 1948-49 ranged from \$3,000 to over \$500,000,000 in such vertical classifications as "clerks, first-second-class post offices," "village delivery service," and "carfare and bicycle allowance."

Every dollar spent must be charged against a specific appropriation, and transfers from one account to another—even in the case of exhaustion of funds—is permitted only within certain narrow limits. As a result, the postal management is unable, for example, to operate any post office as a fiscal unit, but must concern itself with the expense of separate activities within the office—clerks, vehicle hire, carriers—as though they were totally unrelated.

One effect of the present combined budget and accounting system is that it hampers a businesslike operation of the service.

For instance, cash books are kept in each post office, and each entry is covered by a voucher or similar document when turned in for quarterly settlement. Accounting units of the Post Office Department have only 30 days after the close of the quarter to review this mass of material from 42,000 post offices and to turn it over to the General Accounting Office, which performs the full audit, settles directly with individual Postmasters, and turns its report over to the Department some 8 months after the quarter's end—too late for effective use in day-to-day and month-to-month analysis and supervision. Consequently, the Post Office Department must depend, in fulfilling its operating responsibilities and budgeting, on its own partial duplication of certain accounts and estimates of others.

The inadequacy of such a structure of accounting and budgeting becomes more apparent when it is considered that the volume of business, and hence expenses, will fluctuate with changing economic conditions. Nor can the Post Office Department alter its services to fit its budget, since it must accept whatever volume of service the public requests. The only recourse to-day when expenses exceed estimates is to request a supplemental appropriation from the Congress.

The present system does not permit of competent cost accounting fundamental to efficient management of a business. It is outrageous cumbersome and results in a mass of unnecessary red tape and a host of employees.

It must be recognized that the Post Office is:

- (a) Predominantly of a business nature;
 - (b) Revenue-producing and potentially self-sustaining;
 - (c) Characterized by a large number of business-type transactions with the public; and
 - (d) In need of greater flexibility than the customary type of appropriation budget ordinarily permits.
- Such a reorganization is essential to provide:
- (a) Accounting, budgeting, and auditing procedures designed to improve management's control of the business;
 - (b) Flexibility of expenditures to meet fluctuating demands for postal service and varying conditions of operation on a Nation-wide scale;
 - (c) Reasonable freedom from restrictive laws and regulations governing contracts, purchases, and personnel practices;
 - (d) Administrative authority commensurate with responsibility.

APPENDIX No. 8.

LETTER FROM THE COMMONWEALTH ACTUARY, DATED 22ND SEPTEMBER, 1953.

COMMONWEALTH OF AUSTRALIA.

Commonwealth Actuary,
Barton, A.C.T.
22nd September, 1953.

Memorandum for:

Secretary,
Parliamentary Joint Committee of Public Accounts,
Camberley, A.C.T.

I refer to your memorandum of 7th September requesting the basis on which the Postmaster-General's Department determines for the purposes of its Commercial Accounts, the liability for Superannuation benefits.

I am satisfied that, until 1947, the method adopted made reasonable provision for superannuation and that no simpler method could have been devised.

The position has altered since 1947. In that year superannuation benefits were increased by 25% (i.e. from £20 to £25 10s. per unit of pension). In 1951 pensions were increased by another 25% of the original sum (i.e. to £30 per unit of pension).

For simplicity I will deal only with the last increase.

The original pension benefit of £20 per unit was paid for as follows:—

(a) by the contributor	£
(b) by the Commonwealth	13
	20

After the 1951 increase in benefits the allocation was as follows:—

(a) by the contributor	£
(b) by the Commonwealth	28
	30

In effect therefore, the Commonwealth's share of pension was doubled.

The Postmaster-General's Department correctly assumed, prior to 1947 that its liability could be approximately equal to the net sums paid by contributors. After 1951 it charged to its commercial accounts twice the amount paid by contributors. This latter correction ignores the fact that when pension benefits were increased (at the Commonwealth's expense) there was created a large liability in respect of the extra contributions which should have been paid between the date of the inception of the superannuation scheme and the date when benefits were increased. Perhaps I could make this clearer by pointing out that if pension benefits had always been £30 per unit the Post Office would, from the outset, have doubled the payments by the contributors. Any calculation of the arrears due on this con-

ception was however to be related because many pensioners did not actually receive the £20 per annum from the Commonwealth.

The calculation of the extra sum required to meet the ultimate cost of pensions is difficult but it could no doubt be done approximately. My provisional estimate is that the addition to the present payments would be about £250,000 per annum.

(Sgd.) W. C. BALMFORD,
Commonwealth Actuary.

APPENDIX No. 9.

PRINCIPLES GOVERNING THE ESTABLISHMENT OF CAFETERIA FOOD SERVICES.

It is the policy of the Government to provide food services in Commonwealth establishments where a large number of staff is employed, so that employees may obtain meals and refreshments. The principles to be followed, as approved by Cabinet on the 6th February, 1946, and subject to the physical limitations of building space, are—

- (i) In all establishments where sufficient number are employed, in addition to tea-making facilities and provision of a lunch-room, a simple type of food service should be made available to employees who cannot go home for lunch.

(ii) The type of this service (simple hot meals, light refreshments, snacks and Oato lunches) should be determined in the light of local circumstances.

(iii) In the case of rented premises, any services installed should require little irrecoverable expenditure.

(iv) In accordance with normal industrial practice the Commonwealth should meet all costs of providing the service and replacing capital equipment. The service should then be operated on a self-supporting basis, except that the Commonwealth should meet the cost of lighting, heating and cleaning the public section of the lunch-room, and that no charge should be made for administrative or accounting assistance rendered by Departmental officers.

(v) The expert staff of the Department of Labour and National Service should collaborate with the Department of Works and the authority controlling the particular establishment under review to give effect to the foregoing by determining what type of service would be self supporting.

(vi) All proposals for the provision of food services, after being agreed upon between the Department of Labour and National Service and Department of Works and the Department concerned, should be submitted to the Treasury for concurrence.

(vii) The food services should be under Departmental management and the efficiency of management should be subject to regular inspection and review by the Department of Labour and National Service in conjunction with the Department concerned.

APPENDIX No. 10.

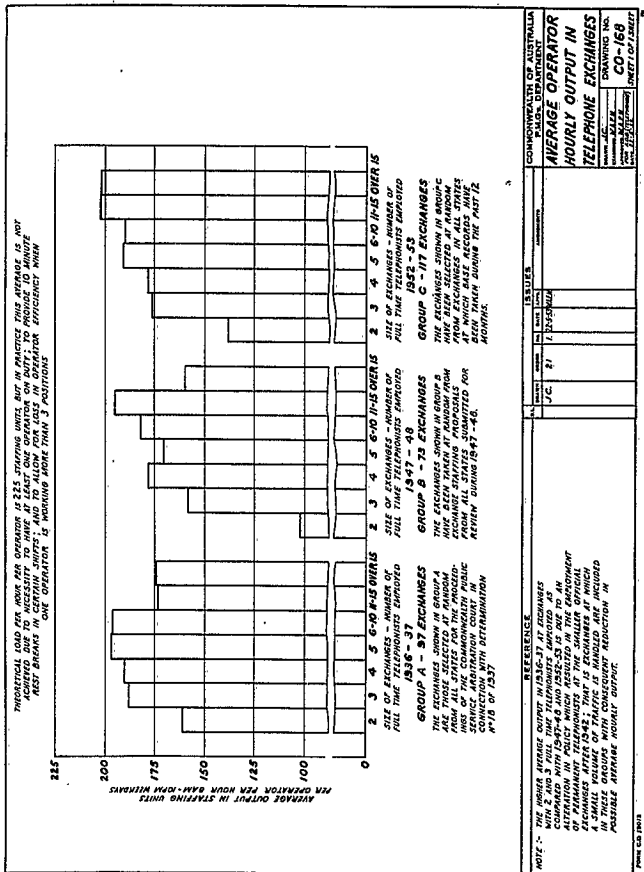
COMPARISON OF TELEPHONE CHARGES IN 1915, 1930-40 AND 1951-52.

	1915(a)	1930-40.	1951-52.
Rental	Lowest group— 1-300 lines—£3 per annum Highest group— 4,000 + lines in 10 mile radius— £4 per annum	1-300 lines—£3 per annum	1-300 lines—£4 7s. 6d. per annum
Local calls	1d. per call	1½d. per call	1-10,000 lines in 5 miles radius— 3½d. per call 5,001 + lines in 10-15 mile radius—3d. per call
Trunk line charges (only first three minutes)	20-25 miles—4d. 100-150 miles—1s. 10d. 400-500 miles— .. (Length of line)	s. d. 0 5 2 0 6 3 (Radial distance)	s. d. 1 0 6 4 11 3 (Radial distance)

(a) Adoption of a full measured service took place in 1910. The 1915 scale provides a more convenient comparison.

APPENDIX No. 11.

GRAPH TO ILLUSTRATE OUTPUT OF TELEPHONISTS 1936-37, 1947-48 AND 1951-52.



APPENDIX No. 12.

COMPARISON OF CHARGES WITH THOSE OF OVERSEAS POST OFFICES.
 TARIFFS FOR TELEPHONE EXCHANGE SERVICE.
 (All charges expressed in Australian currency equivalent.)

	City.	Annual Base Rentals.				Annual Extra Mileage Charges beyond Base Rate Area.	Local Calls.
		Large City.		Small Rural Exchange.			
		Business.	Residence.	Business.	Residence.		
Australia ..	Sydney Melbourne Brisbane Adelaide Perth Newcastle Hobart	£ s. d. 12 5 0	£ s. d. 11 0 0	£ s. d. 4 7 6	£ s. d. 4 7 6	8s. 3d. per 1/4 mile measured radially from 2 to 3 miles decreasing to 2s. 6d. per 1/4 mile for that portion of line extending 5 miles radially beyond the exchange	Metropolitan areas and Newcastle —3d. per call Rural districts—2 1/2d. per call
Great Britain	London .. Birmingham ..	13 15 10 12 10 0	10 0 7 8 15 6	11 5 8	7 10 5	6s. 6d. for each furlong or part thereof in excess of 3 miles	London.—Calls to and from exchanges within 5 miles of Oxford Circus— Day. Night. Up to 10 miles 1.88 1.88 10 miles to 12 1/2 miles 3.70 3.70 12 1/2 miles to 17 1/2 miles 5.64 5.64 17 1/2 miles to 20 miles 7.62 7.62 20 miles to 25 miles 12.64 7.62 25 miles to 30 miles 17.55 10.03 Other Places.—Up to 5 miles—1.88d. Calls between exchanges more than 5 miles from Oxford Circus Charge varies from 1.88d. to 7.62d. according to distance with limit of 15 miles. Trunk fees apply beyond this distance. Residence service rental includes equivalent of 100 unit calls at 1.88d. each. All calls in excess of this allowance are charged for at above rates.
New Zealand	Wellington .. Auckland Christchurch Dunedin	32 18 3	18 10 2	15 13 5	11 16 1	18s. 6d. per furlong	Free
Canada ..	Montreal ..	80 5 11	20 18 9	23 17 2	17 12 0	24 3s. 11d. per 1/4 mile or part thereof	Free
United States of America	New York ..	47 13 6	30 15 1	30 18 2	21 10 0	Varies from £2 8s. 2d. to £4 12s. 3d. per 1/4 mile	New York.—Rental includes equivalent of 75 unit calls per month at 5.28d. each. All calls in excess of this allowance are charged for as follows:— Within same zone and to nearby zones— First 400 above allowance—5.28d. each call Next 500—5.09d. each call All other calls—4.82d. each call To other zones—Charge for call varies according to zone concerned.
	Los Angeles ..	32 5 10	27 10 0	..	..	..	Los Angeles.—Message rate service (business only)—Rental includes 85 free local calls per month. Extra calls are charged at 3.74d. each. Flat rate service (residence only)—Unlimited unit fee calls.

COMPARISON OF CHARGES WITH THOSE OF OVERSEAS POST OFFICES—continued.

	Annual Base Rentals.						Annual Extra Mileage Charges beyond Base Rate Areas.	Local Calls.
	Large City.			Small Rural Exchange.				
	City.	Business.	Residence.	Business.	Residence.	Residence.		
South Africa	Capetown	£ s. d. 7 10 5	£ s. d. 7 10 5	£ s. d. 3 15 3	£ s. d. 3 15 3	£ s. d. 3 15 3	51 1/2 ls. 7d. per 1/2 mile or part thereof beyond a radius of 1 mile from the exchange. Exchanges with over 200 subscribers classed as "Message Rate Exchanges" 12 10 9 10 0 7 Exchanges with less than 200 subscribers "Flat Rate Exchanges"	Capetown—Local calls are charged at 2.6d. each to exchanges in same zone as exchange to which calling subscriber's line is connected. Calls to exchanges in an adjoining zone are at the rate of 5.62d. each, and to an exchange two or more zones away at the rate of 7.62d. each. Country message rate exchanges with more than 200 subscribers' lines connected—2.6d. per local call. Free

TELEPHONE TRUNK LINE CALLS OF THREE MINUTES' DURATION.

(All charges expressed in Australian currency equivalent.)

Day Rates.

Radial Distance between Exchanges.	Australia (9 a.m.-9 p.m.)		Great Britain (Midnight-6 p.m. 10.30 p.m.-midnight)		New Zealand (9 a.m.-9 p.m.)*		Canada (4.30 a.m.-9 p.m.)†		South Africa (6 a.m.-Midnight)‡		United States of America (4.30 a.m.-9 p.m.)†	
	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.
Exceeding 5 but not 10 miles	s. d. 0 5 0	s. d. 0 5 0	s. d. 0 8 0	s. d. 1 1 0	s. d. 0 4 1	s. d. 0 1 1	s. d. 0 1 1	s. d. 0 1 1	s. d. 0 4 1	s. d. 0 4 1	s. d. 1 6 1	s. d. 1 6 1
" 10 " " 15 "	0 7 0	0 5 0	0 8 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 15 " " 20 "	0 7 0	0 5 0	0 8 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 20 " " 25 "	1 0 0	0 8 0	1 1 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 25 " " 30 "	1 3 0	0 10 0	1 1 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 30 " " 35 "	1 6 0	0 10 0	1 1 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 35 " " 40 "	1 8 0	1 0 0	1 1 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 40 " " 50 "	2 1 0	1 0 0	1 1 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 50 " " 60 "	2 6 0	1 0 0	1 1 0	1 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 60 " " 80 "	2 11 0	1 5 0	3 0 0	2 0 0	2 6 0	2 2 0	2 2 0	2 2 0	2 6 0	2 2 0	2 2 0	2 2 0
" 80 " " 100 "	2 4 0	1 8 0	3 0 0	2 0 0	2 10 0	1 11 0	6 5 0	2 2 0	2 6 0	2 2 0	2 2 0	2 2 0
" 100 " " 150 "	4 4 0	4 1 0	4 8 0	3 0 0	4 8 0	3 0 0	3 8 0	3 4 0	4 8 0	3 0 0	3 4 0	3 4 0
" 150 " " 200 "	5 4 0	5 2 0	5 8 0	4 0 0	5 8 0	4 0 0	4 8 0	4 4 0	5 8 0	4 0 0	4 4 0	4 4 0
" 200 " " 250 "	6 5 0	6 2 0	6 8 0	5 0 0	6 8 0	5 0 0	5 8 0	5 4 0	6 8 0	5 0 0	5 4 0	5 4 0
" 250 " " 300 "	7 6 0	7 3 0	7 8 0	6 0 0	7 8 0	6 0 0	6 8 0	6 4 0	7 8 0	6 0 0	6 4 0	6 4 0
" 300 " " 350 "	8 7 0	8 4 0	8 8 0	7 0 0	8 8 0	7 0 0	7 8 0	7 4 0	8 8 0	7 0 0	7 4 0	7 4 0
" 350 " " 400 "	9 7 0	9 4 0	9 8 0	8 0 0	9 8 0	8 0 0	8 8 0	8 4 0	9 8 0	8 0 0	8 4 0	8 4 0
" 400 " " 500 "	11 8 0	11 3 0	11 8 0	9 0 0	11 8 0	9 0 0	11 8 0	11 4 0	11 8 0	9 0 0	11 4 0	11 4 0
" 500 " " 600 "	12 11 0	11 4 0	12 11 0	10 0 0	12 11 0	10 0 0	12 11 0	11 7 0	12 11 0	10 0 0	11 7 0	11 7 0
" 600 " " 700 "	14 7 0	13 3 0	14 7 0	11 0 0	14 7 0	11 0 0	14 7 0	14 3 0	14 7 0	11 0 0	14 3 0	14 3 0
" 700 " " 800 "	16 3 0	14 9 0	16 3 0	12 0 0	16 3 0	12 0 0	16 3 0	15 9 0	16 3 0	12 0 0	15 9 0	15 9 0
" 800 " " 900 "	17 11 0	15 4 0	17 11 0	13 0 0	17 11 0	13 0 0	17 11 0	16 11 0	17 11 0	13 0 0	16 11 0	16 11 0
" 900 " " 1,000 "	19 7 0	17 4 0	19 7 0	14 0 0	19 7 0	14 0 0	19 7 0	18 7 0	19 7 0	14 0 0	18 7 0	18 7 0
" 1,000 " " 1,150 "	21 3 0	19 0 0	21 3 0	15 0 0	21 3 0	15 0 0	21 3 0	20 3 0	21 3 0	15 0 0	20 3 0	20 3 0
" 1,150 " " 1,300 "	22 11 0	20 5 0	22 11 0	16 0 0	22 11 0	16 0 0	22 11 0	21 5 0	22 11 0	16 0 0	21 5 0	21 5 0
" 1,300 miles ..	24 7 0	22 1 0	24 7 0	17 0 0	24 7 0	17 0 0	24 7 0	23 7 0	24 7 0	17 0 0	23 7 0	23 7 0

* New Zealand—These rates also apply between 9 a.m. and Midnight on Sunday and public holidays.
 † Canada and United States of America—Rates for distances up to 25 miles cover initial period of five minutes.
 ‡ South Africa—Excluding Sunday, Good Friday and Christmas Day when special very high rates are applied throughout the 24-hour day.

TELEPHONE TRUNK LINE CALLS OF THREE MINUTES' DURATION—continued.

Night Rates.

Radial Distance between Exchanges.	Australia (9 p.m.-9 a.m.)		Great Britain (6 p.m.-11.30 p.m.)		New Zealand (9 p.m.-8 a.m.)*		Canada (9 p.m.-1.30 a.m.)†		South Africa (Midnight-6 a.m.)‡		United States of America (9 p.m.-1.30 a.m.)†	
	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.	Call Fee.	P.P. Fee.
Exceeding 5 but not 10 miles	s. d. 0 5 0	s. d. 0 5 0	s. d. 0 6 0	s. d. 0 1 1	s. d. 0 4 1	s. d. 0 1 1	s. d. 0 1 1	s. d. 0 1 1	s. d. 0 4 1	s. d. 0 4 1	s. d. 1 6 1	s. d. 1 6 1
" 10 " " 15 "	0 7 0	0 5 0	0 6 0	0 8 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 15 " " 20 "	0 7 0	0 5 0	0 6 0	0 8 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 20 " " 25 "	0 10 0	0 8 0	0 10 0	0 10 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 25 " " 30 "	1 0 0	0 10 0	1 0 0	0 10 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 30 " " 35 "	1 3 0	1 0 0	1 3 0	1 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 35 " " 40 "	1 3 0	1 0 0	1 3 0	1 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 40 " " 50 "	1 6 0	1 0 0	1 6 0	1 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 50 " " 60 "	1 6 0	1 0 0	1 6 0	1 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 60 " " 80 "	2 2 0	1 5 0	2 2 0	1 5 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 80 " " 100 "	2 6 0	1 8 0	2 6 0	1 8 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 100 " " 150 "	3 3 0	2 1 0	3 3 0	2 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 150 " " 200 "	4 1 0	2 1 0	4 1 0	2 1 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 200 " " 250 "	4 10 0	2 3 0	4 10 0	2 3 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 250 " " 300 "	5 8 0	2 6 0	5 8 0	2 6 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 300 " " 350 "	6 4 0	2 11 0	6 4 0	2 11 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 350 " " 400 "	7 2 0	2 4 0	7 2 0	2 4 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 400 " " 500 "	8 5 0	3 0 0	8 5 0	3 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 500 " " 600 "	9 8 0	3 0 0	9 8 0	3 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 600 " " 700 "	10 11 0	3 0 0	10 11 0	3 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 700 " " 800 "	12 2 0	4 4 0	12 2 0	4 4 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 800 " " 900 "	13 5 0	4 4 0	13 5 0	4 4 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 900 " " 1,000 "	14 8 0	4 4 0	14 8 0	4 4 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 1,000 " " 1,150 "	16 11 0	5 0 0	16 11 0	5 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 1,150 " " 1,300 "	17 2 0	5 0 0	17 2 0	5 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1
" 1,300 miles ..	18 5 0	5 0 0	18 5 0	5 0 0	0 4 1	0 1 1	0 1 1	0 1 1	0 4 1	0 4 1	1 6 1	1 6 1

* New Zealand—On Sundays and public holidays day rates apply between 9 a.m. and midnight.
 † Canada and United States of America—Rates for distances up to 25 miles cover initial period of five minutes.
 ‡ South Africa—Excluding Sunday, Good Friday and Christmas Day when special very high rates are applied throughout 24-hour day.

APPENDIX No. 13.

POSTAL BRANCH—EXPENDITURE BY STATES 1961-62.

Division of Expenditure.	New South Wales.		Victoria.		Queensland.		South Australia.		Western Australia.		Tasmania.		Commonwealth.	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Salaried, Wages and General Expenses—														
Salaries, Wages and Contingencies	6,384,317	4,473,707	2,101,078	1,257,504	623,302	494,410	16,034,327							
Rent, Maintenance of Buildings, Water Supply, &c.	268,750	140,030	95,810	49,835	63,327	21,683	637,621							
Sub-Total	6,653,073	4,622,737	2,196,888	1,307,339	686,629	516,093	16,671,948							
Carriage of Mails—														
Inland mails by road	692,162	353,985	426,766	111,070	105,997	73,300	1,733,800							
Inland mails by railway	414,344	177,354	101,897	48,834	63,709	44,909	581,137							
Coastwise mails	1,245	16,520	1,077	5,713	7,228	243	32,024							
Airmails within Commonwealth	257,132	106,660	104,224	67,430	68,000	16,411	800,334							
Overseas mails by sea	136,832	133,917	64,393	34,217	30,983	11,258	447,950							
Air mails (overseas)	486,909	330,930	178,236	108,371	84,760	42,885	1,531,511							
Sub-Total	2,068,674	1,204,702	1,017,183	406,211	391,390	167,712	5,186,842							
General—														
Administration	477,423	306,625	182,718	141,561	88,882	47,500	1,244,693							
Depreciation	12,820	6,703	3,263	3,103	3,116									

APPENDIX No. 14.

CONTRACTS LET BY POSTMASTER-GENERAL'S DEPARTMENT FOR LINEWORK 1951-53.

State.	Details of Work.	Estimated Total Cost under Contract.			Estimated Total Cost of Work if carried out by Department.	Remarks.
		Contract Price.	Cost of Materials, Field Supervision, Survey Work, &c., Incurred by Department and Allowance for Overhead Costs.	Total Cost.		
New South Wales	Pennant Hills—Lay conduits and build manholes	£ 10,644	£ 16,546	£ 33,190	£ 31,844	Contract completed satisfactorily. Work is being carried out by two men camping on the route. The contractor is allowed to retain old type insulators, iron wire, crossarms and wooden poles of no further use to the Department. The contract price is very low and the next highest price submitted by an established firm of contractors was £6,000 compared with the accepted price of £2,328. The work is in an isolated locality and does not require skilled labour.
	Jerilderie - Deniliquin — Dismantle pole route	2,328	1,084	4,012	8,820	
	Marple—Erect subscribers' lines	984	2,208	3,192	4,093	
Victoria	Orboast-Bonang—Erect telephone line	9,400	6,780	16,180	16,400	Contract completed satisfactorily. Contract is being let to a newly established firm of contractors who have completed a few contracts for the Melbourne and Metropolitan Board of Works. Six other tenders were received and the prices ranged from £11,300 to £26,000 compared with the accepted price of £9,348.
	Mitcham - Warrandyte — Lay ducts and lay armoured cable in trenches to be excavated	8,348	34,788	43,136	49,408	
Queensland	Durong South-Chahpingah—Erect pole route and wires	3,474	9,901	14,375	16,152	Contract is in hand but progress is slow. The other tender was approximately £6,000 higher than that accepted.
South Australia	Hayes Creek-Adelaide River—Northern Territory—Reinstatement trunk line route	1,367	1,070	3,046	3,097	Contract completed satisfactorily.
	Mangalo—Subscribers' aerial construction	136	434	570	619	Contract completed satisfactorily. Work done by local residents.
	Mangalo—Subscribers' aerial construction	42	148	190	210	Contract completed satisfactorily. Work done by local residents.
	Peake—Subscribers' aerial construction	394	2,050	2,363	2,270	Satisfactory progress is being made.
	Darwin—Recover and treat surplus underground cable	1,980	594	2,574	2,500	Contract completed satisfactorily. No local staff was available for the work and men would have had to be recruited elsewhere, thus involving appreciable travelling expenses.
	Darwin-Bateholor — Dismantle aerial routes	713	249	962	1,410	Contract completed satisfactorily. No local staff was available for the work and men would have had to be recruited elsewhere, thus involving appreciable travelling expenses.

CASES WHERE TENDERS WERE CALLED FOR LINE WORKS IN PAST TWO YEARS BUT CONTRACTS WERE NOT LET.

State.	Details of Work.	Total Cost if Carried out by—		Remarks.
		Contractor.	Department.	
Victoria	Glenmaggie-Picola—New trunk line route	£	£ 3,973	Two tenders were received (£1,877 and £3,300). The lower tender was not considered suitable. Fresh tenders were invited and two have been received.
South Australia	Whyalla-Cowell—Erect trunk line route	11,610	5,320	
	Parilla—Subscribers' aerial construction	2,670	2,380	Contract was not let.
	Parrakio—Subscribers' aerial construction	..	2,940	No tender was received.
	Pine Creek-Katherine — Dismantle pole route	729	432	Contract was not let, as the price was too high.

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