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(TWENTY-SECOND PARLIAMENT.)

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

TWENTY-FOURTH REPORT.

DEPARTMENT OF CIVIL AVIATION.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SECOND AND THIRD COMMITTEES.

The 1954-55 Committee was appointed by the Parliament on the 11th August, 1954, and consisted of:—

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

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

Senator S. D. PALTRIDES*
Senator the HON. H. S. SEWARD

G. ANDERSON, ESQUIRE, M.P.
F. CREAN, ESQUIRE, M.P.
F. J. DAVIS, ESQUIRE, M.P.
A. S. HOLMS, ESQUIRE, M.P.
H. A. LESLIE, ESQUIRE, M.P.
A. V. THOMPSON, ESQUIRE, M.P.

Senator I. E. WEDGWOOD†

* Appointed Minister of State for Shipping and Transport on 28th September, 1953; resigned 12th October, 1954.
† Appointed 12th October, 1953.

The Third Public Accounts Committee, appointed by the Twenty-second Parliament, is as follows:—

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

A. V. THOMPSON, ESQUIRE, M.P. (Vice-Chairman).

Senator A. M. BERN
Senator the HON. H. S. SEWARD
Senator I. E. WEDGWOOD

L. H. BARNARD, ESQUIRE, M.P.
J. F. COPE, ESQUIRE, M.P.
F. J. DAVIS, ESQUIRE, M.P.
A. S. HOLMS, ESQUIRE, M.P.
H. A. LESLIE, ESQUIRE, M.P.

† On 15th February, 1956, the Senate appointed its Members of the Public Accounts Committee. The House of Representatives appointed its Members on 22nd February, 1956.

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 1901-1955*;
- (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.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

DEPARTMENT OF CIVIL AVIATION.

CHAPTER I.—INTRODUCTION.

The 1954-55 Committee presented a Progress Report to the Parliament at the end of last Session. That Committee indicated that it had completed a comprehensive inquiry but that it had had no time to prepare a full Report. The Progress Report, presented to the Parliament on 27th October, 1955, concluded—

"In the course of this Inquiry we have covered activities of the Department ranging from the provision of aerodrome and air navigation facilities to the operation of internal costing, stores and accounting systems. We consider that by using the material collected by us during the Inquiry, it will be possible for a succeeding Committee to present a comprehensive Report on the Department of Civil Aviation."

2. Your Committee have reviewed the evidence submitted to the 1954-55 Committee. It is our opinion that the conduct of further hearings or the requisition of further documents would not materially advance or affect our consideration of the matters under discussion. The following Report is, in consequence, made on the basis of the evidence submitted to the 1954-55 Committee. Its presentation has been delayed because a general election was held shortly after the final hearings, which meant that the Second Committee was brought to an end. Until a Third Committee had been appointed by the Parliament it was, of course, not possible to prepare a Report. The Committee was appointed late in February, 1956.

3. We recall that in the course of the public hearings, which were held during August, September and October, that Committee had before it the following officers of the Department of Civil Aviation—

- Sir Richard Williams, K.B.E., C.B., D.S.O., Director-General of Civil Aviation.
- Mr. D. G. Anderson,* Deputy Director-General.
- Captain E. C. Johnston, D.F.C., Assistant Director-General (Regulatory).
- Mr. R. M. Badenach, Assistant Director-General (Ground Facilities).
- Dr. E. N. E. Bradfield, Director of Airports.
- Mr. A. B. McFarlane, D.F.C., Director of Air Transport and External Relations.
- Mr. H. W. Poulton, Legal Officer.
- Mr. A. J. S. Scott, Director of Finance and Stores.

4. At a special hearing in Canberra on 21st October, 1955, representatives of two airline companies, of the Department of Air and of the Air Pilots' Association were also examined. They were—

- Mr. C. O. Turner, Chief Executive and General Manager, Qantas Empire Airways Ltd.
- Captain G. U. Allan, A.F.C., Assistant General Manager, Qantas Empire Airways Ltd.
- Mr. G. P. N. Watt, C.B.E., Chairman, Australian National Airlines Commission.
- Mr. J. P. Ryland, General Manager, Trans-Australia Airlines.
- Captain R. B. Keig, Vice-President, Australian Air Pilots' Association.
- Captain A. L. James, Chairman of Operations Group, Australian Air Pilots' Association.
- Captain L. H. Mellor, Member of Operations Group, Australian Air Pilots' Association.
- Group Captain B. A. Eaton, D.S.O., D.F.C., Director of Operations, Royal Australian Air Force.

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* Appointed Director-General in succession to Sir Richard Williams, who retired on 31st December, 1955, Commonwealth Gazette No. 9, 1956.

CHAPTER II.—HISTORY AND FUNCTIONS OF THE DEPARTMENT.

(a) HISTORY.

5. Your Committee were informed that the regulation of civil aviation began in Australia in December, 1920, in the course of implementing the *Air Navigation Act 1920*. The Act had three main objects—

- (i) to carry out the provisions of the Convention on Air Navigation, signed in Paris on the 13th October, 1919;
- (ii) to apply the principles of the Convention to domestic flying operations as well as to international flying; and
- (iii) generally to regulate civil aviation activities in Australia.

q.a. 2-6. To administer the Act, a Controller of Civil Aviation was appointed, whose position was that of head of the Civil Aviation Branch of the Department of Defence, though the Branch was not, in fact, a part of the defence system.

6. Following the decision of the High Court in the first *Goya Henry* case, in 1936,* the Civil Aviation Board, which consisted of four Members and a Secretary, was set up and was made responsible for regulating civil aviation. The Board continued to operate as a unit of the Defence Department until January, 1939, when it was abolished and a Department of Civil Aviation was established under the Minister for Civil Aviation. This is still the position. The Permanent Head of the Department is designated Director-General of Civil Aviation.

(b) SOME UNDERLYING FACTORS: LEGAL AND ASSOCIATED PROBLEMS, DEFENCE ASPECT.

7. No general power in respect of civil aviation has been conferred upon the Commonwealth. We were informed that its regulatory power varies in scope with the particular legislation affecting civil aviation. Thus—

- (a) The Commonwealth has full power to make laws with respect to air services within a Territory.
- (b) The Commonwealth has full power to make laws with respect to international services, by virtue of the overseas trade and commerce and external affairs powers and the assumption of extensive obligations under various civil aviation conventions.
- (c) The Commonwealth may make laws regarding interstate air services by virtue of its interstate trade and commerce power, but the exercise of this power is subject to section 92 of the Constitution.
- (d) In respect of intra-state air services, legal power is vested in the States and not in the Commonwealth. Each State has, however, provided by legislation that the Commonwealth Air Navigation Regulations as applicable to the Territories are to apply to air navigation within the State.

8. The Commonwealth's powers over territorial and international air services are therefore capable of reasonably clear definition. The powers over interstate and intra-state civil aviation are far less clearly definable, and we questioned Mr. H. W. Poulton, the legal officer in charge of the Crown Solicitor's Sub-office attached to the Department of Civil Aviation, about both these matters. He told us that it has not been certain to what extent section 92 hinders effective control of interstate air services, though it is clear that it prevents rationalization of air services. He said—

q. 154. " . . . no combination of State and Federal powers could eliminate the restriction which section 92 imposes. Until the recent transport case concluded, it had been thought that there was a reasonable possibility, on analogy with State transport licensing decisions, that the Commonwealth could, if the need arose, attempt to co-ordinate and rationalize interstate trade and commerce by denying licences for other than purely safety reasons. The airlines case did restrict the Director-General solely to the imposition of safety conditions. He was required to grant or refuse a licence, depending on whether he was satisfied with the safety of the operations. I think it is fairly clear that, from now on, the limited view that we have always taken of the Director-General's powers, to licence interstate services must remain a permanent view. In other words, the Director-General is necessarily restricted to purely safety factors in granting or refusing interstate licences."

9. So far as intra-state air services are concerned, the operation of Commonwealth legislation is dependent upon the willingness of the States to incorporate the Commonwealth legislation into their own law. In recent years (mostly since 1950) various States have amended their originally uniform Acts or related transport legislation, so as either to restrict the Commonwealth to legislation covering safety factors or to make compliance with State

* R. v. Burgess, 55 C.L.R. (1950), 608.
† Australian National Airways Pty. Ltd. v. the Commonwealth (1945), 71 C.L.R. 20.

requirements an obligation concurrent with Commonwealth requirements. This makes the position increasingly difficult to sum up with accuracy. Mr. Poulton stated that at present the powers of the Commonwealth over intra-state aviation are as follows:—

q. 210. "The Director-General, by virtue of the uniform State Acts, is vested with the power to issue licences for intra-state services. That power must be exercised in conjunction with powers which various State Authorities exercise under State Transport Regulations. It works out slightly differently in each State. In New South Wales, the issue of a State licence is a condition precedent to the Director-General issuing a licence. In Western Australia, Victoria and Tasmania both licences are required but they are merely concurrent obligations and an operator satisfies them as he sees fit. Theoretically, the Director-General can have regard to economic as well as safety factors. In Queensland, the legislation has been amended so that the Director-General's discretionary power is confined to safety matters. In South Australia, there is no State licensing system at all."

10. The deficiencies in the Commonwealth's legal power mean that, apart from territorial services, the Minister can probably do little more than regulate civil aviation operations on domestic air routes to maintain or promote the safety of civil flying operations. Your Committee inquired whether this lack of power to regulate civil aviation except for safety purposes resulted in any serious hiatus in the regulations that can validly be promulgated. We were informed that—

q. 155. " . . . With regard to the extent to which the Director-General must provide additional facilities because it may be mandatory for him to issue a licence, I think it can be stated with confidence that so far as legal requirements are concerned he definitely has a discretion to refuse to license a service if the existing facilities are inadequate for that service to be operated safely. For example, a new type of aircraft might be imported and the existing runway might be two or three hundred feet short for the safe operation of that aircraft. I say definitely that the Director-General has a right, which cannot be successfully challenged in law, to refuse to license that service."

11. The absence of a general power in the Minister to rationalize air services, in particular interstate services, may have important consequences. For instance, in the present condition of the airline industry the major airlines rely on the revenue earned by plying on the more lucrative interstate services, to enable them to finance developmental services. We received the following answer to our question about the Minister's power to rationalize:—

q. 155. "COMMITTEE MEMBER.—What is the type of additional requirement that the Director-General may not put on as a condition precedent to the issue of a licence? (Mr. Poulton) The type of factor may have been related to policy considerations such as public convenience, traffic demands and other factors normally taken into account in a rationalization system."

Again, there is always the possibility that any of the States may wish to exercise greater or even exclusive control over the licensing of aircraft engaged in intra-state flying.

12. Thus on occasion it may not be possible for the Director-General to ensure that the facilities provided by the Department are used to the best advantage, nor that the airline industry as a whole, which uses those facilities, is providing the best possible service to the community. No case was brought to our notice of which it could be said that at the present time this lack of full legal power is hampering the regulatory function of the Department or the full use of its facilities. However, we are under the impression that in the case of acquisitions of new aircraft by operators, greater power could have led to more realistic purchases. q.a. 557-559, 560, 561-562, 563.

13. The statutory obligation to promote the development of civil aviation in Australia must be taken into account in considering the volume of expenditures of the Department of Civil Aviation. We asked whether this obligation placed the Department under some compulsion to carry out an improvement because of its charter to develop civil aviation—

q. 156. "COMMITTEE MEMBER.—You have an obligation to promote the development of civil aviation. If a company comes along and says: 'We want to develop our lines. We want three additional flights at this period and you say: 'We are not prepared to do that.' If they say: 'You are required to promote the development of civil aviation,' there is your dilemma?—(Sir Richard Williams) The use of the word 'promotion' of civil aviation I regard as meaning that it is my responsibility to do all things which are necessary to extend the airways system, add to the services, and that sort of thing, but not to do anything which would prevent the extension and promotion of civil aviation. In doing that I am guided, of course, by the policy given me by the Minister. The policy of the Minister—and this has been the policy of successive Governments—is that an airport will be established in a locality, in the first instance, by local authorities. The Commonwealth does not establish, generally speaking, although there are exceptions and modifications of all these things, aerodromes *ab initio*. The idea is that local authority will establish them in the first place. The Commonwealth then says, 'If and when it is proved by the operation

* For a more comprehensive outline of the legal position, see Appendix No. 1, in which the Department's statement is quoted in full.

of air services to a particular locality for at least twelve months, so as to cover all the seasons of the year, it is clear that there is a permanent need for such services, then, and not until then, does the Commonwealth take over the responsibility of operating that facility."

14. Closer examination of the obligation of the Department to promote the development of civil aviation shows that it is derived from the *Air Navigation Act 1920-1947*. This statute, which is less than two printed pages, authorizes the Governor-General to make Regulations to carry out the Chicago Convention of 1944, and to make other regulations in the field of civil aviation. The powers it confers upon the Governor-General are plenary and are unusually wide. Section 5 of the *Air Navigation Act 1920-1947* is the most striking clause in the Act. It reads in part—

"5.—(1.) The Governor-General may make regulations—
(a)
(b) prescribing all matters—

(i) in respect of air navigation which are necessary or convenient to be prescribed in relation to any matter with respect to which the Parliament has power to make laws."
(Committee's italics.)

15. All the substantive actions of the Department, where they are derivative from some overt legal source, are under the *Air Navigation Regulations*,^a which form a bulky and much-amended document of some 100 printed pages. We call attention to the powers vested in the Executive by the *Air Navigation Act* because, within the limits of the Commonwealth's powers over civil aviation, they are unequalled. We consider it undesirable to continue to vest such wide regulation-making powers in the Executive Council and recommend that the basic principles should be incorporated in legislation enacted by the Parliament.

16. We note the revision the Department has made of the relevant portions of the Administrative Arrangements Order of 1.1. The Department informed us that there is considerably greater precision in outlining the matters dealt with by it in the present draft formulation than there is in the existing Order. We find that certain details of the Order, which are sufficiently indicated in the Minutes of Evidence (see Questions 7-70), still leave something to be desired, both in felicity of expression and in accuracy of definition; but we agree that the principle upon which the Department has drawn up its revised Order, that of aligning it with the Acts and Regulations under which it operates, is satisfactory. We suggest that when the terms of the revised Order are decided upon, the actual legal provisions under which the Department operates should be linked more closely to the statement of the matters dealt with by it than is the case in either the existing Order, or in the revised Order shown to us by the Department of Civil Aviation.

17. The facilities provided and operated by the Department are an important element in the overall defence preparedness of the Commonwealth. This is another factor that has made impracticable any simple determination of whether or not the expenditures of the Department are, taken as a whole, extravagant. As the Committee of Inquiry into Civil Aviation in the United Kingdom rightly said: "In our view, the problem of the air is one—two sides of a single coin—and the military aspect of aviation cannot fundamentally be separated from the civil aspect."^b Those words, then possessing both accuracy and force, are to-day, in post-war Australia, at least as compelling as they were for pre-war England.

18. In Chapter VII, Section (b), we discuss further the adequacy of the civil airways system as viewed from a defence angle. But we are of the opinion that we should not pursue our inquiry so as to include in it any full consideration of the defence issue.

19. Thus, as your Committee proceed to the main body of the Report, we wish three factors be borne in mind—

- (i) the legal difficulties under which the Department is operating;
- (ii) the fact that the Minister and his Department are operating under a skeleton Act, with the more important legal provisions laid down by Regulation;
- (iii) the contribution to the defence preparedness of the Commonwealth that is made by the civil airways system, which we take to include not only the aerodromes and air navigation and air communication systems that are in Australia provided by the Minister, but also the operations, and operating fleets of the airlines using them.

^a Regulations No. 112 of 1917, as subsequently amended.
^b See also the Third Report of the Committee, presented on 16th December, 1951.
^c Para 8 of the Report of the Committee, printed on 20th November, 1957, by the Hon. Viscount Swinton, G.B.E., M.C., Secretary of State for Air. The Report was presented by the Prime Minister to Parliament in March, 1958—Cmd. 5666.

(c) STAFFING AND ORGANIZATION.

20. The Department of Civil Aviation has a comparatively large staff, exceeded in number only by the Postmaster-General's Department, the Repatriation Department and the Statisticians and Taxation Branches of the Treasury. Your Committee were informed that over the last six years the establishment and actual staff have been as follows:—

	30th June—	Establishment.	Actual Staff.
1950	5,290	4,598
1951	5,518	5,358
1952	5,441	5,064
1953	5,295	5,127
1954	5,286	4,894
1955	5,177	4,913

21. Thus the establishment reached a peak of 5,518 in 1951, and has been reduced over the last four years by 341 positions. At the same time, the number of staff actually employed has been reduced from the 1951 peak of 5,358 to the present level of 4,913, a reduction of 445 persons. We were informed that the Department has endeavoured to reduce its establishment to within reasonable working limits of actual staff, and that the present gap is of the order of 5 per cent. Actual staff numbered 4,913 in June, 1955, 180 less than the July, 1951, approved employment ceiling of 5,093 (which includes 93 trainees and is less than the approved establishment figure). We were also informed that although staffing increases will be necessary in some sections, a reasonably stable situation has been reached that will permit an even closer alignment of actual staff and establishment in the coming year.

22. We note that the Department has reduced its staff, following the decision of the Government in 1951, from 5358 to 4913—

COMMITTEE MEMBER.—How much of that reduction is due to a reduction of work and how much to increased efficiency?—(Mr. Anderson) It is hard to say how much was due to one or the other. Following the Government's direction, the reductions of staff could not be made in any part of the Department that was essential for safety. One substantial saving was made in the workshop staff. We had a good deal of work to do in our own workshops, but facilities became available for that work to be done by outside industry. It was accordingly done outside the Department in accordance with Government policy, and a substantial reduction was made in our own staff. No. 23/114.

COMMITTEE MEMBER.—There has been an increase in the volume of your work, the number of miles flown and so on, and that has been accomplished with a smaller staff?—(Mr. Anderson) Yes."

23. The Department of Civil Aviation decided in 1952 to set up an Organization and Methods (O. & M.) Unit, to be responsible for O. & M. investigations not only at the Head Office in Melbourne, where the unit is located, but also in all parts of the Commonwealth where officers of the Department are stationed. As this is the first occasion on which we have examined a department with its own O. & M. Unit, we append in full at Appendix No. 2 an informative statement prepared for us by the Department.

24. The purpose of the O. & M. Unit is to achieve more efficient administration—administration that yields better results at the same or lower cost than previously—

"The most direct way of achieving efficiency is to eliminate non-essentials. Thus the search for better results cannot be limited to suggesting a better way to do a particular type of work; the need for the work itself should be questioned."

This process which is, in fact, the application of the principles of scientific method to administrative practice, has been fully accepted in the United Kingdom, United States, Australia and many other countries. Its acceptance is well summarized in a statement by Sir Edward Bridges, Permanent Secretary to the U.K. Treasury, in evidence before the Select Committee on Estimates, when he said: "We believe that it (that is, O. & M.) has a part of immenso importance to play in getting an efficient and economic service, and a part which cannot be played in any other way. We are determined to see that it does play that part in the most effective way!" Parliamentary Paper No. 23/114.

25. The Department of Civil Aviation informed Your Committee that since its formation the O. & M. Unit has followed up improvements recommended by the Public Service Board after its "Section 17" investigation. It has also made various examinations of the structure of the Department to ensure the greatest possible efficiency. The O. & M. Unit in the Department has only seven officers attached to it, because every section head is responsible for the efficiency of the organization of his own section, and of its methods of

^a See Exhibit No. 23/1, page 5.

work. The purpose of the departmental Unit of O. & M. is to act as a specially skilled section advising the executive staff of its Department. We note that although the volume of work has been increasing, the Department of Civil Aviation's establishment has been reduced from 5,518 in 1951 to 3,177 in 1955. At least some of this result can be attributed to the work of the O. & M. Unit.

26. Other matters on which the O. & M. Unit has assisted the Department are in securing as flexible a general organization as possible, in reviewing general administrative expenses, in revising registry procedures (where a cut of some 17 per cent. in the staff, combined with greater efficiency, was made possible), in the installation of accounting machines and in the calculation of work loading.*

27. Your Committee are impressed by the work of the O. & M. Unit of the Department of Civil Aviation. We recommend that other Departments consider installing these units as a means of promoting efficiency and economy.

28. The Head Office of the Department is now organized into nine main Divisions. All except one of these Divisions are grouped in pairs under Assistant Directors-General, who are responsible respectively for:—

- Administration, Personnel and Establishments.
- Regulatory Functions.
- Ground Facilities.
- Operations.

The Accident Investigation and Analysis Division is responsible not to an Assistant Director-General, but directly to the Director-General. (The Organization Chart is attached as Appendix No. 3.)

29. The Department necessarily carries out many of its functions at a large number of places throughout the Commonwealth. For that purpose it is organized also on a regional basis, each State being constituted a Region, except for the combined Regions of Victoria-Tasmania and Papua-New Guinea. The most far-flung of the Department's posts are its aerodromic stations, of which there are some 62 at present operating. They are manned by Communication Officers and spread from Rabaul in the North to Hobart in the South, from Norfolk Island in the East to Cocos Islands in the West. While there were 742 positions on the establishment of the central staff (Head Office) in June, 1955, there were also:—

- 1,183 in New South Wales.
- 916 in Victoria-Tasmania.
- 901 in Queensland.
- 518 in Western Australia.
- 339 in South Australia.
- 319 in the Territory of Papua and New Guinea.
- 259 in the Northern Territory.

30. In order to obtain some idea of the numbers of departmental staff employed at a major airport, we asked the Department to submit a statement about the staffs located at Melbourne and Sydney Airports. We were informed that airport staff come under the general control of an airport manager, but that they are functionally responsible to the heads of various technical branches. They may in fact, though shown as employed at the airport, be occupied on jobs not at the airport itself, e.g., technical staff servicing facilities on air routes. Because Sydney is a major international terminal, considerably more staff are employed in certain categories than are employed in Melbourne, e.g., the communications and airport maintenance staff. The staff employed at Melbourne and Sydney airports are as follows:—

Category.	Melbourne.	Sydney.
Aircraft Surveyors	7	7
Air Traffic Controllers	49	44
Communications Officers	48	89
Airways Engineering Staff (Electrical, Radio and Mechanical Maintenance)	36	58
Airport Maintenance including Patrol Officers	50	64
Fire Crews	27	32
Stores	4	6
Administrative	15	14
	236	313

* See Appendix No. 2 for further details.

31. In addition to the departmental staff employed at those airports, other employers have on their staffs 3,935 persons at Melbourne and 3,630 at Sydney Airport.

(d) THE DISTRIBUTION OF FUNCTIONS.

32. As Your Committee mentioned earlier, the activities of the Commonwealth in the field of civil aviation have always been attended with some legal difficulties. After the first *Goya Henry* case (1936) the Air Navigation Act was amended, and the Civil Aviation Board superseded the Controller of Civil Aviation. In January, 1939, a responsible Minister of State was appointed, and a full departmental structure was set up.

33. The Department carries on diverse functions, that range from the purely administrative ones normally associated with the conduct of a Department of State, through regulatory activities (promoting the safety of civil aviation operations), to service functions associated with the construction and maintenance of aerodromes and an airways system, and review functions in connexion with accidents and appeals against suspension or cancellation of licences and certificates.

34. It was suggested to the Director-General that some separation might be made between the review, i.e. quasi-judicial functions of the Department, and the general administrative and utility functions:—

" . . . for the protection of the people who are affected by your regulatory functions and your review functions, those functions should not be mixed up with the administrative functions of the Department?—(Sir Richard Williams) I am afraid that I am not very clear on what you are aiming at but we have found no difficulty in the present setup. In deciding on the organization of a Department, one may seek the ideal but one is never able to attain it. One has to have regard to the personnel available and the allotment to those personnel of full-time duty. We have not had any difficulty in administering the Department in this way. A separate section of the Department deals with accident investigation. That matter is not included in the duties of the Assistant Director-General. After an investigation of an accident, we might want to make a change concerning aircraft, personnel standards, operational standards or aerodrome standards.

(Question 95) In my view, we have sufficient division of responsibility already. We must apply to the Department of Works for certain things and to the Department of the Interior for others, and so on. It is not wise for two Government agencies to be in the one field. In the control of aviation, there should not be any more division of responsibility than is necessary. My Department is dealing with something that moves pretty fast. Decisions must often be made and action taken quickly. It would be most unwise to cut up the Department into two or more authorities. It would be better to move the other way. I would not have suggested that if the matter had not been raised by the Committee.

COMMITTED MEMBER.—In other words, you say that whilst that is the way that it works out, your Department is really an entity?—(Sir Richard Williams) Yes."

35. The view of the Department appears to be that the quasi-judicial functions associated with reviewing the issue of air licences and certificates should not be separated organizationally from the other functions performed by the Department. In our view, such a separation might well be desirable and some recourse to the courts be provided for.

36. As the Regulations stand at present, the Director-General has power to issue licences, to review their issue, and, if he deems it necessary, to cancel them. It was suggested that the existence of a Board of Review to hear appeals from the decision of the Director-General to cancel a licence gives adequate protection to the holders of licences or certificates. Further, the Department states that extra expense would be involved if a separate body were created to carry out the review functions at present executed by the Department itself. The Department also told us that civil Air Boards exist independently of the administering department only in the United States of America and in Canada, and that in both these countries functions other than quasi-judicial are exercised by the Board. An indication of the volume of work performed by the Board of Review constituted by the Australian Department under Air Navigation Regulation 169A is that it is only found necessary to call it about twice a year.

37. The Department stated that, for reasons similar to those given in connexion with its licensing function, it did not favour the constitution of a separate Board for purposes of accident investigation. The first reason is that the separation would be expensive, because the Department necessarily makes an investigation of accidents and what are termed "air safety incidents" from the point of view of air safety. The second reason is that:—

"The present system works very well and there is no apparent reason why any other should work better. The Director of Accident Investigation in any major accident marshals his forces in three groups—an operations group, an engines group and an

* See Exhibit No. 23/2.

airframes group. Whenever necessary, as for example in the recent crash of a Vickers Viscount at Mangalore, Victoria, he engages experts in these fields from outside the Department. In reporting direct to the permanent head he is freed of the influence of branch and sectional heads who might have interests at stake. If the Minister or the Government is dissatisfied with the findings or so desires for other reasons, an Air Court of Inquiry can always be set up thus providing an independent check. In such a case the Department is in fact conducting a preliminary to the larger inquiry to assist the Court. It would have to do this in any case and is so much the better equipped for it by having specialized investigators available."

38. While Your Committee acknowledge the arguments of economy and convenience, we are of the opinion that the position is not entirely satisfactory. The recent amendment of the Air Navigation Regulations, providing an independent Board of Review, is satisfactory as far as it goes. But it is our view that the licences in question, being vital to the livelihood of the persons holding them, should not be capable of being withdrawn without some direct recourse to the courts.

39. The United Kingdom Committee on Ministers' Powers*, in discussing the placing of judicial and quasi-judicial powers in the hands of administrators, observed that the first and most fundamental principle of natural justice is that a man may not be a judge in his own cause. That Committee went on to say that the "interest" that ought to cause disqualification is wider than mere pecuniary interest—

"Indeed we think it is clear that bias from strong and sincere conviction as to public policy may operate as a more serious disqualification than pecuniary interest. No honest man acting in a judicial capacity allows himself to be influenced by pecuniary interest: if anything, the danger is likely to be that through fear of yielding to motives of self-interest he may unconsciously do an injustice to the party with which his pecuniary interest may appear to identify him. But the bias to which a public-spirited man is subjected if he adjudicates in any case in which he is interested on public grounds is more subtle and less easy for him to detect and resist."

The application of the principle which we have just enunciated to quasi-judicial decisions is not easy, since a quasi-judicial decision ultimately turns upon administrative policy for which the Minister should normally be responsible. We think, however, that before Parliament entrusts a Minister with the power and duty of giving quasi-judicial decisions as part of a legislative scheme, Parliament ought to consider whether the nature of his interest as Minister in the carrying out of the functions to be entrusted to him by the statute may be such as to disqualify him from acting with the requisite impartiality. The comparative importance of the issues involved in the decision will, of course, be a relevant factor. Where it appears that the policy of the Department might be substantially better served by a decision one way rather than another, the first principle of natural justice will come into play, and the Minister should not be called upon to perform the incongruous task of dealing with the judicial part of the quasi-judicial decision as an impartial judge, when as *proprietor* he and his Department want the decision to be one way rather than another. We recognize that this kind of case may be rare, but it is a real possibility. In such a case the judicial functions which must be performed before the ultimate decision is given and on which that decision must be based should be entrusted by Parliament to an independent Tribunal whose decision on any judicial issues should be binding on the Minister when in his discretion he completes the quasi-judicial decision by administrative action."

40. We have had brought to our notice the recent ferment in views upon and decisions about the jurisdiction of the courts over administrative actions that is taking place in the United Kingdom.† It appears that, along with the enormous increase in the number and extent of powers delegated to administrators, powers that are variously termed "ministerial", "executive" or "administrative", the courts in England have been declaring themselves unable to interfere

* See Cmd. 4000, pp. pages 76-79. The Report of the Committee, whose Chairman was the Earl of Devonport, was presented to Parliament in April, 1932.

† Ibid., pages 78 and 79.

See, for example, the *Collector's Licence Case* (1933) 2 All R.N.L. page 717 and the article by D. A. Gordon, Q.C., "The Collector's Licence Case", 70 J.L.S. 202. We quote the interesting conclusion of Gwynn J. in *Healy v. Minister of Health* (1934) 2 All R.N.L. in which he expressed similar views (see page 599).

"It is, I think, a matter of some concern that the question whether the plaintiff (and, it may be, a large number of similarly affected persons) is entitled to the superannuation scheme relating to mental health officers should be decided by a court of law instead of, as the Act and Regulations by a Minister acting, doubtless, through one of his departments. It may be that the decision against the plaintiff was correct. It may be that it was wrong. If it was wrong to allow the plaintiff to proceed with this case, it would be argued in open court, and even if he failed, he would, at least, be able to say that he had had a hearing in public. I hope that he derives adequate satisfaction in the knowledge that for that departmental decision against him the Minister is answerable to Parliament."

That the general trend to which we refer in para. 40 is not confined only to the United Kingdom is indicated by the article by Dr. Northey in (1933) 3 Canadian Bar Review, page 32, where he quotes recent New Zealand experience.

We refer also to the British Journal of Administrative Law, where a number of articles on the subject has recently been published, see e.g. *Seaton*, 1934, 31 British Journal for Administrative Law, page 41 and "Reasons for Criminal Decisions" by Lord S. W. P. 1934, 31 British Journal for Administrative Law, page 135. "Judicial Review, Administrative Action on the Merits" by Robert S. Davison, 11 L.N., page 111; and June, 1935 "British Administrative Law and the Problem of Administrative Justice" by M. R. Davison, P.D. L.J.C., page 16.

Finally, we mention it is not unfair to mention the circumstances leading to the Public Inquiry ordered by the United Kingdom Minister of Pensions into the disposal of land at Ormskirk (see Cmd. 3174, presented to Parliament in June, 1934) that—
(1) the exercise of a discretionary power is not always carried out with due regard to the principles of "natural justice"; and that from time to time the exercise of such powers may be carried out in accordance with those principles;
(2) special limitations of this type under discussion, when exercised as appointed by Ministers, will inevitably be necessary if the ordinary Court do not provide remedial against such malpractices.

in the administrative process. The reasons for these decisions seem partly to be due to an unwillingness, in general, to interfere with the administrative process, and partly to be due to the result of ever more exclusive and complete delegation of powers to administrators. A result of this trend has been that such traditional remedies as the writ of certiorari have not been available to the subject when, in the view of the Court, no "judicial" function has been exercised. The scope of "judicial" functions appears, concurrently, to be interpreted less widely. Thus an administrator may refuse a licence, or cancel one, and often neither the reasons for the decision nor the process by which the decision was reached will be subject to review by a Court. What we have termed "the reasons" have not been reviewed because the Courts consider themselves not competent to make a review on the merits; what we have termed "the process" has not been reviewed because of the way in which the powers have been given, e.g., if the administrator "is satisfied".

41. In consequence, Your Committee point out that the courts in England, traditional protectors of the subject against improper use of powers conferred by the Parliament, are exercising less rigorous control over the administrative process than they were up to the war years. In an era of rapid change, relaxation of controls over the administrative arm of government is said to be expedient. This relaxation of controls appears to be obtained by the administration through the inclusion of appropriate clauses in Acts and subordinate legislation.

42. Your Committee have already observed that most of the legal powers, duties and responsibilities of the Minister and Department have been defined by Regulations made under the very brief Air Navigation Act. The Parliament has therefore not had the facilities for discussion afforded by the enactment of comprehensive legislation. Nor has it debated whether such powers of cancellation as we have been discussing should be placed in the hands of the Director-General of Civil Aviation.*

(e) STATISTICS.

43. We inquired of the Department what statistics they were collecting, and were advised that some were prepared for use during flying operations, some for submission to the International Civil Aviation Organization, and the remainder "for our own purposes, so far as domestic services are concerned".

(f) FEES CHARGEABLE UNDER THE AIR NAVIGATION REGULATIONS.

44. By Air Navigation Regulations† the Director-General is empowered to levy fees under Order for the issue or renewal of Aircraft Maintenance Engineers' Licences, Operating Crew Licences, and Licences for Airlines, Aerial and Charter Work and Flying Schools.

45. It seems that these Regulations, insofar as they authorize fees, are invalid because they give the Director-General unfettered discretion in regard to the level of fees, a discretion that could be used in such a way as to thwart the constitutional rights of would-be interstate operators. We have been advised that the Department is consulting with the Attorney-General's Department in order appropriately to amend the Regulations.‡

46. The Regulations provide that the scale of fees to be charged for licences is to be laid down under the authority of an Order, and we have been informed that no Orders have as yet been issued. Thus any fees that have been levied to date have been levied without proper legal authority.

47. The Regulations under which the fees may be levied were promulgated in 1947. We consider that the existing legal doubts should be promptly resolved and that the proper authority to levy fees should be issued.‡

48. The amount of the charges levied by the Department for the issue of licences is small. As the persons concerned are left to pay their own fees, no further charge is made by these Regulations upon airline operators already paying Air Navigation Charges under the Air Navigation (Charges) Act. We asked whether the Airline Companies were under any pressure to pay the fees imposed upon their employees and were informed that they were not, because in most cases the fees are only nominal. The Director-General told us that—

"In dealing with the development of aviation in the post-war period, it became necessary to re-draft the whole of the existing regulations so far as they existed at all at that time. When that was being done, we took power to do all those things which we thought we might have to do, not necessarily with the idea

* We refer also to the Eighth and Ninth Reports of the Standing Committee of the Senate on Regulations and Ordinances (tabled on 2nd June, 1932 and 11th October, 1934) where the question of writs of certiorari of power is discussed.
† No. 113 of 1947 as amended to date. See also Exhibit No. 237/47.
‡ Since the preparation of this Report, the Regulations have been issued. It is understood that the fees are now validly imposed. See Statutory Rules 1948, No. 10, dated 21st February, 1948 and notified in the Commonwealth Gazette on 1st March, 1948.

that we were going to do them all. So far as these things are concerned, the position as I see it is that our first consideration with regard to return on expenditure was the production of revenue to set off the expenditure in the Department of Civil Aviation in connexion with the handling of airways services or the route charges. As I previously informed the Committee, the decision was made first of all to set off some of the cost against defence and then finally to try and recover about 80 per cent. of our expenditure. Having decided to do that, we made a charge on the airline operators and on the owners of aircraft, whether they be private or otherwise.

It did not seem to me at that time that there was any need for us then to make a charge, first of all, for the licences we issued for the aircraft which the operating company or the private person was going to use in the process of incurring to us a revenue. Nor indeed was it appropriate, in my view, to make a charge to the men whom we wished to qualify as licensed ground engineers in order that we might ensure a certain standard in airworthiness and so on, nor to require such a charge from the aircrew who were operating the aircraft. That condition continued, and in 1950, as a result of the Airlines Agreement, the whole matter of what we were getting from the operating companies and the operators and owners of aircraft was considered by Cabinet. They reduced the original charges by 66½ per cent., refunded that and then, under the Airlines Agreement, fixed new charges at 50 per cent. of what they were previously. In view of that, it did not seem to me to be appropriate to set out to charge a fee for the licence we issued them for the aircraft, or for the licence to fly the aircraft or to maintain one.

Consequently, apart from making a charge for the examinations, which is intended to discourage men from coming along and simply sitting and putting us to the expense of examining papers, knowing full well they had no chance of passing, I considered it inappropriate to require the chasing of invoices for such little fees apart altogether from the question of administering such a procedure.

CHAPTER III.—THE COST AND BALANCE-SHEET OF THE DEPARTMENT.

(a) THE COST OF THE DEPARTMENT.

49. Your Committee outlined the history of the Department in Chapter II, and we there indicated that, especially in the years since the 1939-45 War, the activities of the Department have grown enormously, *pari passu* with the development of civil aviation in Australia.

50. The growth of civil aviation can be seen from the following figures submitted to us by the Department:—

Item.	1945-46.	1953-54.	Percentage Increase.
Route miles	28,945	85,793	196
Passengers Carried	509,100	1,814,778	257
Passenger Miles Flown	224,008,141	734,776,018	226
Freight Carried (short tons)	5,623	70,870	1,167

51. The activities of the Department have inevitably grown along with the increase in activity in the field of civil aviation, because it provides the "permanent way" for use by civilian air operators and a part of the facilities required by the Royal Australian Air Force. These figures show the growth in the size and cost of the Department—

	1945-46.	1950-51.	1952-53.	1954-55.
(a) SIZE (NUMBER OF STAFF).				
Staff of the Department (end June)	1,305	5,358	5,127	4,913
Establishment	1,305	5,518	5,295	5,177
Vacancies .. .. .	..	160	188	264

* See Question No. 209 and Exhibit No. 10.
† See Exhibit No. 23/1.

	1945-46.	1950-51.	1952-53.	1954-55.
(b) Cost (£'000).				
Expenditure under the Department's control	651	7,974	10,408	10,105
Expenditure for the Department	77	500	678	603
Other Items (Superannuation, Interest, &c.)	11	14	36	35
Total Ordinary Votes and Appropriations	739	8,488	11,123	10,743
Capital Works and Services paid from Revenue	1,067	5,223	7,096	4,657
Total Cost of Department	1,806	13,711	18,219	15,400

52. The extremely rapid expansion of civil aviation over the past ten years has meant that much of the work of the Department has been developmental. We note that for the year 1955-56 the Estimates of Expenditure are again considerably more than in the previous year. The expenditure of the Department of Civil Aviation has risen year by year. The only item showing a decrease since 1950-51 is "Administrative Expenditure", and we have commented on that in paragraphs 20-27. The following main items of expenditure, taken from the annual Estimates of Expenditure, illustrate the trend:—

Division No.(a)		1950-51.	1953-54.	1954-55.	1955-56. (b)
		£'000.	£'000.	£'000.	£'000.
70	Administrative	3,166	2,491	2,482	2,704
71	Maintenance and Operation of Facilities (c)	1,984	3,994	3,882	4,286
71x	Development .. .. .	..	172	333	342
76	Meteorological Services	265	308	346	365
	Total	5,415	6,965	7,142	7,897

(a) The heads of expenditure and Division Numbers are according to the 1954-55 Estimates.

(b) Vote for 1955-56.

(c) Includes Repairs and Maintenance expenditure, shown as a separate Division prior to 1955-56.

53. The main cause of the increase in 1955-56 over 1954-55 is the increased cost of maintenance and operation of civil aviation facilities (Division No. 71 of the Estimates). Expenditure in 1954-55 was £3,746,500 and the Vote for 1955-56 is £4,286,000. In 1955-56 an amount of some £250,000 that in earlier years was included in a separate Division (No. 76: Maintenance Services: Under the control of the Department of Works) has been included in this Vote, and reduces the apparent increase in expenditure of £540,000 to some £290,000.

54. We mention the transfer of this head of expenditure because behind it lies an interesting story. Until the current financial year (1955-56), the Department of Works had been responsible for performing all works for the Department, however minor in character that work might be. Now, by an Agreement between the Department of Civil Aviation and the Department of Works, the Department of Civil Aviation may, "without reference to the Department of Works, carry out minor new works where estimated cost (including both labour and materials) does not exceed £200 in any one instance". In cases involving the safety of aircraft or in places where it is more convenient for the Department of Civil Aviation to carry out the work, e.g. because of remoteness or special technical requirements, the Department of Works may grant approval for the Department of Civil Aviation to act as constructing authority, up to a limit of £500. Furthermore, the Department of Civil Aviation is "responsible for the maintenance of all Civil Aviation aerodromes and buildings, including the facilities associated therewith, and funds for this purpose shall be provided under the Maintenance Vote of the Department of Civil Aviation". Where, after discussion with the Department of Works, it seems preferable for another authority than the Department of Civil Aviation to execute the maintenance work, it may be performed by the Department of Works or by local authorities.

55. Departmental representatives told Your Committee in response to questions whether this Agreement might be inconsistent with the Cabinet ruling according to which the Department of Works has overall responsibility for the design, estimates of cost, and

supervision and execution of all architectural and engineering works for the Commonwealth, that the Agreement represents "a sound working arrangement"—

Qa. 1659-1675.

"COMMITTEE MEMBER.—How long ago was the agreement made?—(Mr. Badenach) It came into operation on the 1st July this year.

COMMITTEE MEMBER.—Do you think it is unduly restrictive of your rights and obligations?—(Mr. Badenach) It may be a little, but it is on the basis that it will be reviewed every twelve months. I believe that the Department of Civil Aviation gained much in this agreement and I hope that if the spirit in which it was reached continues we shall obtain possibly more responsibility than we have here. That, of course, is allied up with staffing establishments and economy of working and things of that nature. I think the agreement as it stands is quite good and, as I mentioned before, it will be revised again in twelve months' time, and continually looked at from time to time.

COMMITTEE MEMBER.—Do you think the matters covered by this agreement will result in their being done more expeditiously and possibly more competently than in the past?—(Mr. Badenach) I think so.

COMMITTEE MEMBER.—In the light of the fact that the Department of Works has more jobs than it can do and is already worried about man-power and resources at its disposal, do you still think it can do the job more effectively?—(Mr. Anderson) What has been done under this agreement is to give a greater delegation than previously existed to the Department of Civil Aviation to undertake certain works. We had very little competence before to do maintenance work or work of a minor character.

COMMITTEE MEMBER.—I do not want you to build up an entirely new organization for construction work of a capital kind?—(Sir Richard Williams) We are not doing that.

COMMITTEE MEMBER.—You still have the problem of functions as between the departments, and there are several occasions when this problem crops up, as you have indicated. Who is to be responsible for doing the various things required? Reference has been made to the acquisition of sites. Now there is a discussion on works construction. We have been looking at other things. That appears to be the major problem in connexion with your Department.—(Mr. Badenach) I do not know that I followed all your points but the fundamental fact in drawing up this agreement was that we have a staff of some 600 groundmen spread over some 200 fields. We have a staff of electricians and engineers essential for our normal duties. We realize that at many of these fields, the staff has to be provided for fundamental purposes. They have a certain amount of slack. The Department of Works agreed that we could undertake work in accordance with this agreement without having to increase our staff to any appreciable extent. That is one fundamental point we have to watch. Generally, we can do the work more cheaply and quickly than if we had to negotiate through the Department of Works.

COMMITTEE MEMBER.—When we had an inspection at Essendon, there were men doing maintenance on the runway or the apron, and it was suggested that those were some of the things that the Department of Works had done, whereas your own men on the spot would do the work more cheaply and quickly.—(Mr. Anderson) We are doing much work like that ourselves, but with a sensible safeguard. If an apparently innocent crack developed in a concrete runway worth £1,500,000, our men would not fiddle about with it without consulting the Department of Works who know the work and the underground drainage system. An innocent crack might mean actually that something was badly wrong which would be known to the Department of Works.—(Sir Richard Williams) Looking back, I can remember when I had a first-class carpenter and if something went wrong with a lock, he was not allowed to touch it. It had to be done by the Department of Works. We have developed considerably since then."

56. We draw attention to this Agreement because it appears to us to make possible a satisfactory working arrangement between departments which have constructional functions, and the Department of Works, which is primarily responsible for carrying out the construction works of the Commonwealth Government. By allocating construction works on the basis of capacity the Department of Works is relieved of minor jobs, while, at the same time the departments are prevented from building up their own works establishments unduly. We also draw attention to the Agreement because of the use of the resources of local government authorities that is envisaged, and of the possibility that in this way some of the awkward governmental gaps that inevitably occur in a federal structure may be closed. Your Committee will watch with interest the working out of this Agreement, and will report on other agreements of this nature as they come to our notice."

57. We observe that the cost of the Department has increased steadily over the years. Upon some of the items responsible for the increase we report later; but we note here the steady increase in the cost of maintenance and operation of aerodromes (Item 1 of Division No. 71). From an expenditure of £718,934 in 1952-1953, the expenditure increased in 1954-55 to £970,011 and the vote for 1955-56 is £1,233,000. However, this figure includes

"The Agreement is quoted in full at Appendix No. 4.

a substantial portion of the expenditure under Division No. 76, "Maintenance Services", which has, as noted in paragraph 53 above, been absorbed in Division No. 71 with the coming into operation of the Agreement between the Department and the Department of Works. It appears that the period of rapid and expensive expansion in Civil Aviation facilities may now be reaching an end. In that case, expenditure on this head may become relatively stable.

(b) THE DEPARTMENT'S REVENUE AND EXPENDITURE STATEMENT AND BALANCE-SHEET.

(i) The Revenue and Expenditure Statements.

58. Your Committee have always held that it should be possible for the Parliament to examine together the revenue and expenditure of a department, in cases where it earns revenue for, as well as expending the funds of the Commonwealth.* Although the annual Estimates of Receipts and Expenditure attached to the Message from the Governor-General contain a summary of expenditure and a summary of revenue at the beginning of the section devoted to each department, no indication is given of how the revenue and expenditure there set out relate one to the other, and it is for some such indication that we are seeking.

59. We suggested to the Department of Civil Aviation that, in submitting information to us on its annual revenue and expenditure, it should endeavour to produce some form of balance-sheet for our consideration. The Department has produced four Statements, the first of which summarizes the Department's revenue and expenditure for mails and the maintenance and operation of air navigation facilities and services. The second and third Statements break up into more detail the items covered in the first Statement. The fourth Statement is entitled an "Estimated Balance-sheet", and sets out the position for the three years ending 30th June, 1953, 1954, and 1955. These Statements are attached as Appendices Nos. 5, 6, 7, and 9 respectively.

60. The problems associated with presenting promptly to the Parliament any regular series of financial statements that do not follow closely the form of the Estimates papers are, we appreciate, very considerable. However, we have observed on other occasions that the presentation in the Budget Papers of a set of statements many of which are very similar to the Estimates statements is not warranted. Your Committee intend as soon as possible to consider in more detail the problem of the content of the Budget Papers, given that certain legal requirements determine the basic form of the Estimates, and we shall consider this problem further then. But we suggest here that it might be possible to present in the Budget, when departments have substantial in-comings against out-goings, statements of the kind presented to us by the Department of Civil Aviation. It might even be possible to eliminate the statements in the Budget Papers that are repetitive of the Estimates Tables.

61. We inquired whether the revenue and expenditure statements placed before us were used regularly in the work of the Department, and were informed that they had been prepared specially for the Committee—

"COMMITTEE MEMBER.—Are these commercial accounts prepared every year, or were they prepared specially for this Inquiry?—(Sir Richard Williams) These were prepared specially for this Committee. Qa. 205-209.

COMMITTEE MEMBER.—Have similar accounts been prepared in the past and put before the Minister?—(Sir Richard Williams) I do not think so, no.

COMMITTEE MEMBER.—How would the Minister be aware of the actual situation, if the accounts had not been prepared in some form?—(Sir Richard Williams) The position in regard to this particular subject has been put before the Minister. He is thoroughly aware of it. The Treasury and everybody concerned is aware of how much money we get, how much we pay out and how much is left over.

COMMITTEE MEMBER.—On more or less a similar basis of preparation to that which we have in front of us?—(Sir Richard Williams) Yes, but not in that form." We are of the opinion that the information presented to us has potential value both in the internal workings of the Department, and in facilitating the presentation of the financial dealings of the Department to the Parliament in a clear and informative way.

62. The statements submitted to Your Committee do not readily reconcile on their face with the figures that appear in the Estimates; but we were informed that they can be reconciled—

"COMMITTEE MEMBER.—I have tried to compare the figures that you have presented and those in the Estimates, but I cannot reconcile them. . . .—(Mr. Scott) The earnings are in respect of the financial year. They have been prepared on a normal commercial accounting basis in an endeavour to give the picture in respect Qa. 210-221.

* See Your Committee's Eleventh Report, "The Form and Content of the Financial Documents Presented to the Parliament", Part I, presented to the Parliament on 11th November, 1954, which deals with the Budget Speech and Estimates. This matter is discussed at paragraphs 54-60 of the Report.

of the year rather than the cash book position disclosed by the printed Estimates. There has been a reconciliation within the Department in respect of the cash book figures in the Budget.

COMMITTEE MEMBER.—The same applies in relation to expenditure?—(Mr. Scott) That is so, in principle.

COMMITTEE MEMBER.—Is it possible to prepare and let the Committee have that reconciliation?—(Mr. Scott) I believe so.*

63. The Department subsequently submitted a statement reconciling the figures in their revenue and expenditure statements with those appearing in the Estimates. It is quoted at Appendix No. 8.

64. Taking first the Revenue and Expenditure Tables (see Appendix No. 5), we inquired about the various items contained in the statements submitted by the Department. It is our view that the items as presented to us are not sufficiently explanatory to meet the purposes for which they were drawn up, i.e. to convey to Your Committee and thus to Members of Parliament and the general public more adequate information about the revenue and expenditure of the Department.

65. We have in mind, for instance, the very brief itemisation of the expenditure of the Department on international mail carriage that is contained in their second revenue and expenditure statement (quoted at Appendix No. 6). In the current Budget Papers, considerably more detailed information about expenditure under this head is given. Therefore, we consider that the additional information about international mail carriage payments that is contained in the present Budget Papers could readily be taken into the Revenue and Expenditure Statement for the Department. We realize that, in future, the mail payments are to be included in the record of the financial activities of the Postmaster-General's Department; but we would look for the above detail in the Revenue and Expenditure Statement of that Department.

66. Your Committee were informed by the Department that*—

"In addition to the revenue derived from the Air Navigation Charges the Commonwealth obtains substantial revenue from duties on petrol consumed by aircraft. The duties on petrol—applicable alike to air and surface transport—amount to approximately 1s. per gallon and by legislation an amount representing approximately 50 per cent. of the revenue obtained from tax on fuel consumed by motor vehicles is returned to the States for use in the maintenance of road and other facilities required for the operation of road transport vehicles. (The grant was increased from 6d. to 7d. per gallon as from 1st July, 1954)."

It seems reasonable therefore to regard a similar proportion of the tax on petrol used for aviation as available to offset the cost of facilities provided for the operation of air transport and this is a factor which has been considered in relation to the level of Air Navigation Charges. It has been stated in this paper that the return to the Commonwealth for the years 1952-53, 1953-54 and 1954-55 was 5.1 per cent. (or 5.8 per cent. if international operations had been charged for a full year) and an estimated 5.0 per cent. respectively but if 60 per cent. of the tax derived from petrol consumed by aircraft is taken into account these percentages will increase to 17.1 per cent., 18.4 per cent. and an estimated 20.1 per cent., respectively, for those years—the amounts being £260,000, £703,000 and an estimated £861,000 respectively."

67. In any balance-sheet containing a realistic assessment of the revenue and expenditure of the Department, we consider that the revenue the Commonwealth receives from Air Navigation Charges should be shown. We appreciate that it is a Constitutional requirement that all moneys should be paid into one Consolidated Revenue Fund; nevertheless we consider that the amount derived from Air Navigation Charges should be included in the Department's Statement of Revenue and Expenditure. An appropriate note of the way in which the revenue from Air Navigation Charges is dealt with could, if necessary, be added to the Statement.

68. The purpose of the Civil Aviation Agreement Act 1952 and of the allied Air Navigation (Charges) Act 1952 is to levy certain charges on airline companies for the use of aerodrome and air navigation facilities provided by the Department. It is laid down in the Civil Aviation Agreement Act that increases in the charges may only be made if the cost of maintaining and operating the facilities rises, or if the facilities are improved. We consider at greater length in Chapter VIII, the whole subject of Air Navigation Charges; here we are concerned merely with the production of a meaningful annual revenue and expenditure statement. In addition to showing in detail the revenues of the Department, we consider that the Statement of Revenue and Expenditure should set out in detail its expenditures in respect of the provision of various aerodrome and air navigation facilities.

* See Exhibit No. 28/10.

(ii) The Balance-sheet and Asset Register.

69. The Department also submitted a Balance-sheet to Your Committee (see Appendix No. 5) indicating that to 30th June, 1953, the total cost of air navigation facilities and services had been £10,081,000, and that to that date there had been an estimated deficiency on the maintenance and operation of air navigation facilities and services of £5,599,000. This deficiency was, on a cumulative basis, £11,237,000 at 30th June, 1954, and £17,040,000 at 30th June, 1955. We were informed that no account had been taken of any depreciation or losses prior to 1st July, 1952. For the year 1952-53 an amount of £741,000 was allowed for depreciation.

70. We found that the Department had kept no proper Balance-sheets in the past, q. 202-201. and that the one prepared for our use was drawn up specially for that purpose. Further, it appears that there is no adequate record in the Department of the assets it holds—

"COMMITTEE MEMBER.—I wondered where you got your starting figures from? q. 202-211. —(Sir Richard Williams) This is based on a census made in 1939-40.

COMMITTEE MEMBER.—That was, more or less, a stocktaking of assets?—(Sir Richard Williams) Yes.

COMMITTEE MEMBER.—What did you do from that stage onwards? Did you keep a record of assets written up?—(Sir Richard Williams) On total values.

COMMITTEE MEMBER.—I presume that you put a value against each item of your assets in 1939-40. What have you done to record assets acquired since then?—(Sir Richard Williams) We have recorded them in total values.—(Mr. Scott) The values under the original census were summarized under functional headings similar to those in this particular statement. Year by year, additional values had been added to the functional headings and in total. This is an extract from figures built up in that way.

COMMITTEE MEMBER.—How was the value of sites and buildings arrived at in 1939-40? Was the original cost ascertained?—(Mr. Scott) I am not able to say that. I did not have the job then.

COMMITTEE MEMBER.—When you say that your additions have been made on a total basis, what does that imply? Have you added the yearly total expenditure on sites, buildings and movable plant?—(Mr. Scott) It is the net addition after taking account of demolitions and disposals.

COMMITTEE MEMBER.—You do not keep a record of your assets in detail?—(Mr. Scott) That is something that is being examined. I understand that the Treasury is about to issue some instructions on the form and content of the register of assets. Pending receipt of those instructions, we considered that it might be a waste of time to take any action on this matter."

71. Thus our inquiry into the Department has thrown up not only the interesting fact that the Department of Civil Aviation has no comprehensive assets register; but that the Commonwealth Government as a whole has no register showing the value of its assets. In part, the matter was drawn to our attention by the Auditor-General, who indicated that there is "no Audit record of what the Commonwealth owns in the way of sites". Our interrogation continued—

"COMMITTEE MEMBER.—Consider West Beach aerodrome. That has been proceeding for years and much money has been made by contractors who have grown fat and rich on it. Do you think you could get an asset value from the Works Department or the Department of Civil Aviation that would be worth knowing?—(Mr. Brophy) No, the only figure available is the original cost of the site. We would be interested in knowing the value of the aerodrome but we would also be interested in knowing that what the Commonwealth has purchased has been properly recorded. q. 314.

COMMITTEE MEMBER.—Do you say that it is not known what sites the Department of Civil Aviation possesses?—(Mr. Brophy) I cannot answer that.

COMMITTEE MEMBER.—You said that it is not known what sites the Commonwealth owns?—(Mr. Brophy) It is not known to the Audit Office. The departments know, I hope.

COMMITTEE MEMBER.—What is the basis of recording those sites, Sir Richard?—(Sir Richard Williams) We have a register of them, but whether it contains the costs or not I cannot say offhand."

72. At the opening of proceedings on the following day, the Director-General of Civil Aviation produced before the Committee one of the many volumes which, he said, contained a list of their assets—

"Yesterday I said that I did not think those assets were valued and now I repeat that they are not valued." q. 322a.

We were informed by the Department that, in view of the fact that the Treasury is working on a general instruction to Departments on the form and content of registers of fixed assets, "it would be unsound to proceed with the creation of further registers before receipt of the Treasury Instruction". We look for an early settlement of the position.

73. Your Committee have given some consideration to whether or not the Commonwealth should compile and maintain, as well as a list of assets owned by it, a valued list. We understand that in Canada a record of assets that includes their value is kept, and that it is regularly brought up to date. We are, however, of the opinion that a register recording the values as well as the existence of assets should only be maintained when, for some specific purpose, e.g., the valuation of assets in order to levy charges for their use, it is necessary to maintain such a register. Keeping an accurate record of values of all assets would involve a very large amount of work, and is inevitably subject to difficult valuing problems related to depreciation and replacement costs. It is our opinion that the net result would not justify the cost and time involved in keeping any more than a register of values of selected assets.

74. The Balance-sheet of the Department as submitted to us is clearly not an altogether satisfactory document. It contains little itemization of the asset headings, and no explanation of the manner in which the various assets are depreciated. It does represent, however, the beginning of what might be a useful statement that could be associated with the Department's Revenue and Expenditure Statement in a revised Budget Statement such as we have discussed at paragraphs 60-68.

CHAPTER IV.—AERODROMES PROVIDED BY THE DEPARTMENT.

(a) THE ESTABLISHMENT OF AERODROMES: GENERAL POLICY.

75. Your Committee asked the Department to explain the Commonwealth's policy regarding the provision of aerodromes and allied facilities, in order to be able to make some judgment about whether or not value is being received for the large amounts of money annually expended upon them. In this chapter we deal with the manner in which the Commonwealth acquires land for aerodromes, discussing in Chapter V. the delays in the Department's acquisition programme, and in Chapter VI. the facilities provided on the aerodromes.

76. The policy rests on the assumption that the Commonwealth should own all aerodromes of any size that are regularly used for civil aviation purposes. Your Committee were informed that the Department does not often seek to form new aerodromes, but is under constant and considerable pressure from local authorities and other sources to establish new aerodromes in areas hitherto unserved by air. We inquired whether it was the policy, under the "charter" of the Department to develop civil aviation, to proceed with the acquisition of land for new aerodromes. We were informed that, except in certain circumstances, the Commonwealth does not seek to initiate the construction of aerodromes, and is thus not itself usually concerned with negotiating a first acquisition.

77. The normal point at which the Department assumes responsibility for developing aerodromes is when it becomes clear that an aerodrome established by a local authority has potential use as an aerodrome for regular civil aviation operations. The Department stated that—

"It is the policy of the Commonwealth to establish, maintain and operate the ground organization necessary for regular air transport services where such services are justified, and this, according to the nature of the service and the volume of traffic may include radio communication, navigational aids, meteorological services, air traffic control, as well as facilities for handling passengers and freight. In all cases, of course, there is the prime requirement—an aerodrome.

All these facilities are costly in their establishment and in their subsequent operation and maintenance and the revenue derived by the Commonwealth from the airline operators who use them is comparatively small.

The Commonwealth is prepared to accept some responsibility for the provision of aerodromes in those locations where there is evidence that a permanent need for a regular air service exists—this need can be indicated by traffic statistics over a period of at least twelve months—provided, however, that the Commonwealth will not accept any responsibility for an aerodrome in close proximity to one already established."

78. Your Committee are satisfied that the Department is taking the steps requisite to prevent the indiscriminate acquisition of aerodromes that will subsequently need to be developed at substantial cost to the Commonwealth. The main criticism of the operation of

* See Exhibit No. 22/7.

the Commonwealth's policy that we heard was to the contrary effect, that the Department had been unwilling to establish new aerodromes in locations where the local authority believed it would be desirable to have an aerodrome.

79. It is costly to develop an aerodrome from the state in which a local authority or private owner is normally able to maintain it to a condition in which the Department can license it for regular civil aviation operations. The Department told us that it is therefore Commonwealth policy to acquire aerodromes before proceeding to develop them—

"COMMITTEE MEMBER.—Can you give us an indication of the factors you would take into account when you make a decision as to ownership?—(Sir Richard Williams) Having decided that the traffic is such as to show a permanent need for a service to that locality, we consider to what degree we should take financial responsibility for the aerodrome. If it is at a location where there would not be likely to be anything more than light traffic, something smaller than a D.C.3, we may decide that the needs will be met if we take a lease of that ground. If it is a place which larger aircraft are using or will need to use, we know that we shall probably need a runway or a site for buildings for a terminal, passenger handling and the like. Perhaps we would like to establish an air radio station. We would consider that case, where we would spend Commonwealth money, as a case for acquisition. We would not normally consider spending money on a leased area. When we reach the point that we must spend public money we decide to acquire the property freehold. Or if we see the possibility coming of having to spend public money.

COMMITTEE MEMBER.—Who makes the decision as to what land is to be used for the aerodrome?—(Sir Richard Williams) The local authority. We tell them to select the ground suitable to them and then we offer to send an airport engineer to advise them whether it will meet requirements for to-day and the future. Then we help them with drawings and so on. However, we do not send a man to search the district to find a suitable piece of land."

80. The Department informed us that when developing aerodromes in country areas, they work to a D.C.3 datum. They explained that the D.C.3 or replacement craft are capable of giving good service and that the aerodrome development required for them is not nearly so expensive as for craft such as Viscounts and Convairs. The chief reason for using the D.C.3 or replacement craft as the datum is that in this way the available funds are used to promote civil flying as much as possible. As funds become available and increasing traffic justifies the expenditure, the aerodromes can be made usable in all weathers and twenty-four hours a day. The Director-General said—

"I would like to see more modern aircraft, including higher speed and pressurization, going to the people in the country, especially for the sake of women and children; aircraft capable of operating at heights which would get them out of the turbulence. But then, we have to be practical about the whole thing. Whilst that type of aircraft is justified immediately where the density of traffic is high, when you operate an aircraft to the country, you pick up one passenger here, set one down there, and so on. The whole of the operations are uneconomic in themselves. This particular company that we are talking about will be subsidized to the extent of £150,000 a year by the Commonwealth. In those circumstances, one has to be a little practical and say, 'Look, the D.C.3 is an adequate and suitable machine for that service'. They may turn round and say, 'But if we can get Convairs it will be more economical for you'. The Commonwealth may pay less in subsidy, but it will have to pay hundreds of thousands of pounds for the development of airports just for that purpose. I think the company would be foolish to go ahead and order those aircraft. They should discuss the whole business with us, and they have never done it yet."

81. The Department has recently been trenchantly criticized by persons who wish to operate craft of a type unsuitable for the aerodromes provided by the Department. We asked the Department to explain the problems that can arise if new-type planes are to be used on an existing route, and were given the following example. In the hypothetical event that an airline operator decided to fly Convairs on the Adelaide-Darwin route, it would be necessary for the Department to extend the runways at Leigh Creek, Alice Springs and Tennant Creek so that the maximum all-up weight of the craft could be utilized. The Department indicated to us that a total expenditure of the order of £50,000 to £100,000 would be involved, and an additional annual maintenance cost of £2,000 to £3,000—

"Before consideration could be given to such expenditure, it would be necessary for a detailed examination to be made of the traffic offering to ensure that the economic advantage to the operator would be great enough to justify the governmental expenditure on extensions. The only additional direct receipts to the Commonwealth that would result from such extensions would be the increase in airways charges and this would be approximately £2,000 a year if the frequency of services remained unchanged."

* See Exhibit No. 22/8.

82. The matter has risen in an acute form over the inability of Butler Air Transport Proprietary Limited to land Viscounts at Bourke and Evans Head with a commercially profitable payload. Your Committee questioned and received statements from both Mr. Butler and the Department. It is our conclusion that although the situation is regrettable, it is difficult to see how, in the absence of available funds and without disregard of the general demands for aerodrome works, the Department could have provided the facilities required for the operation of a Viscount to these two points.

Q. 483.

83. We also questioned the Director-General about the operation in Western Australia of the Department's policy of providing country areas with D.C.3 datum facilities. We were informed that, in broad terms, the eastern part of Australia subsidizes aerial services in Western Australia and the Northern Territory. We then asked whether the Department would try to meet the requirements of operators who operate new and larger planes, and were told that whenever possible it would do so. But the limitations of money and resources mean that the Department, which is responsible for development of facilities all over the Commonwealth, is unable to proceed in any single area at a rate considered adequate by the residents and operators—

Q. 559-561.

"COMMITTEE MEMBER.—I accept the complete goodwill of the Department, but questions have been raised in my mind about getting work done on these north-western ports for which no provision has apparently been made for the coming years.—(Sir Richard Williams) When we were forming these estimates, that particular question had not arisen. I knew nothing of it, and it may not come off, of course. My general attitude has been to endeavour to develop in the country to a datum of D.C.3 operations a number of aerodromes which, in the course of time, we will make all-weather aerodromes, with sealed strips, where necessary. But that depends entirely on the funds available.

COMMITTEE MEMBER.—And the warranty for it—(Sir Richard Williams) Yes. If an operator goes ahead and buys aircraft for which the permanent way is unsuitable, it is in his lap.

COMMITTEE MEMBER.—I recognize at once that there is an obligation there!—(Sir Richard Williams) When I say we could not possibly be ready for that sort of thing, going back to the question I was speaking about just now in regard to Butler purchasing Viscounts, we inquired from Works how long it would take to have these aerodromes developed for Viscounts. We were told two years. His aircraft will be here in September (1955)."

84. Linked with this problem of what operational standards should be adopted for aerodromes is the problem of the location of the aerodrome to be developed. Considerable publicity has been given to the view of Butler Air Transport Proprietary Limited that a central (and as yet non-existent) aerodrome should be established in the Northern Rivers region of New South Wales, adjoining existing aerodromes at Evans Head, Casino and Grafton. Your Committee have no doubt that there are many areas where similar problems have arisen over the development of aerodromes to serve a region. We discuss this as an example of current interest.

85. In this area, three aerodromes exist: at Evans Head, Casino and Grafton. The Department proposes to develop Grafton aerodrome, and in the meantime is improving facilities at Casino by extending the aerodrome and constructing a formed earth grassed runway and a sealed gravel apron. The cost of the extensions at Casino is £115,000 and they will enable D.C.3 aircraft at a maximum all-up load of 26,000 lb. to use the aerodrome.

86. We were informed that the proposed development at Grafton would be still more expensive.

Q. 2252.

87. Your Committee do not have before them all the facts relevant to the Department's decision to establish two aerodromes, one at Casino and one at Grafton, on a more serviceable basis; but we have been assured that all the relevant factors have been considered by the Department before arriving at its present decision. The Department also informed us that they have a system of priorities determining what projects are to be furthered in any given period. The priorities relate to the need for balanced and Commonwealth-wide development, to any special needs, e.g., for alternates for major airports, and to the availability on the spot of men, money and materials.

88. We asked why it was that the list of aerodromes for which work in connexion with conversion to an all-weather basis was being undertaken in 1954-55 contained no aerodromes in Western Australia or Victoria and were told—

Q. 549.

"We are a Commonwealth Authority, and while we must consider these matters in their respective States, we put them in order of priority not according to States. We decide our programme for the coming year in consultation with the Treasury and the Works Department. If the Works Department says that it can do certain work

in one State and certain work in another State, if our priority system shows that it cannot be done in one of these States we go to another where it can be done. We try to work on a justified priority system throughout the Commonwealth."

89. We also asked why, of the aerodromes licensed by the Department, more have been closed than were opened during each of the past few years. We were informed that—

"I would not regard that as being anything to be alarmed about, because they are being closed as a result of our experience. There is now no need for them and we do not consider that we are entitled to hold and maintain aerodromes which are not needed."

90. The lack of provision by the Department of adequate passenger facilities at aerodromes in outlying areas is another matter that has been sharply criticized. We deal with this problem more fully in Chapter VI. Here, we simply observe that the Minister and the Department, as the responsible authority, must decide whether the available funds should be used to seal runways, or to acquire aerodromes or land for aerodromes, or whether they should be used to construct passenger and other airport buildings.

(b) THE FUNCTION OF LOCAL GOVERNMENT.

91. In the United States of America it is common practice for municipalities and States to own and operate their own aerodromes, and we understand that the same is true of a number of European centres.

92. The assumption of responsibility for the construction, maintenance and operation of aerodromes by authorities other than the central government naturally results in a smaller allocation of resources for this purpose by the central government. Since the Department claims to be short of funds for most of its activities, we asked whether it might not be possible, by stimulating local initiative and interest, to make the resources of the Department go further.

93. The Department informed us that when it receives representations from local authorities concerning their aerodromes, the purport of the representations is usually either that the Commonwealth should take the aerodrome over, or at least give the local authority assistance in operating it. We were told that no Australian local authority has ever developed its own aerodrome to any extent. The position was described to us in this way—

"COMMITTEE MEMBER.—Has the Department ever given any consideration to encouraging local development of airports on lines adopted by American and some European countries?—(Sir Richard Williams) You mean that airports should be developed, maintained and operated by local authority? Q. 418-420.

COMMITTEE MEMBER.—Yes!—(Sir Richard Williams) There is nothing whatever to prevent that being done. We do not go along and say, 'We are going to take this over'. The reverse is always the case. As soon as local authorities are in the position where they think that a case exists for an aerodrome to be taken over by the Commonwealth they make application. I think you gentlemen know that pretty well.

COMMITTEE MEMBER.—They are happy to get rid of it!—(Sir Richard Williams) Yes. But there would be nothing to prevent them operating their own aerodromes. In some cases where we have not been able, because of lack of funds, to take over a ground as soon as it is qualified, shall we say, the local authority has continued to operate it, and we have agreed that they should make landing charges for aircraft using it."

94. We were told that a local authority that decides to construct its own aerodrome may, subject to Departmental approval, make a charge upon those using it. Thus the authorities at Innisfail, Proserpine, Ayr and Brideport make charges for the use of their aerodromes. No substantial charge could, however, be made, because operators would not then use the aerodrome. In a number of cases, the Commonwealth pays a maintenance allowance to local authorities to assist them to develop their aerodromes and to test them out for traffic. The amounts paid in this way are small—varying from £120 to £240 a year. Q. 421-445.

95. The impression we have derived from questioning the Department is that, on the whole, no great effort has been made to interest local authorities in constructing and maintaining their own aerodromes. This is, of course, a consequence of the Commonwealth's policy of owning all aerodromes upon which it expends any substantial funds. Nevertheless, we are not convinced that it is a necessary consequence of the general aerodrome policy that local authorities should be given no encouragement to develop their own aerodromes. The main reasons given by the Department for its view that it is preferable to retain in its own hands ownership and control of all aerodromes are that in this way satisfactory central control can easily be maintained, and that the overall cost to the community is probably lower than it

would be were a number of parties to be engaged in the provision of aerodrome and allied facilities. Your Committee, however, mention that in these matters cost may not be the most important criterion.

96. The Director-General gave evidence as follows, in response to the question whether the Department had ever considered that a local authority should be encouraged to continue to operate the aerodrome it had commenced—

"We have not examined that proposition because no one has wanted to do that. If such a proposal cropped up it would be necessary to consider to what extent we would be departing from uniform safety measures. In the United States of America, the States have not allowed the Federal authority to come in and operate their aerodromes. In other words, the municipal authorities, State authorities and private persons have done as you suggest. From the point of view of the Federal authority which controls the airways system that is not very satisfactory because there are so many authorities in charge of aerodromes. They are not forced to put in safety equipment which may be necessary. At one stage, the State authorities were also handling radio communications and navigational aids. The position was so unsatisfactory that the Federal authority took power to take over those functions. But the grounds themselves are owned by other people and the system is not as satisfactory as our system.

COMMITTEE MEMBER.—You have rather anticipated my next question which was going to be whether it would be more economic for local authorities to run their own aerodromes under the supervision of your Department?—(Sir Richard Williams) It might be economic in the long run. But I think that some expansion would be required in my Department in order to check all these people.

COMMITTEE MEMBER.—Surely it would not require an expansion of staff?—(Sir Richard Williams) I think so. There has to be such close observation now. We make our decision and advise Regional Directors of it and the instruction is carried out by everybody concerned. We do not have to check.

COMMITTEE MEMBER.—If you had this system of supervision and the necessary safety devices, would not your Regional Directors be able to see that your standards were observed by the local authorities?—(Sir Richard Williams) The Regional Director and his staff would do that. I do not mean that I would have to add to my staff in Melbourne.

COMMITTEE MEMBER.—But, even within a region, it is not apparent to me how any increase in staff would be necessary?—(Sir Richard Williams) Under the present circumstances we know that our decisions are carried out because they are executed by our own staff. But if aerodromes were controlled by local authorities, time and time again they would say to us, 'We are running this aerodrome and it is ours but we cannot afford to spend more money on it and therefore we cannot carry out your direction'.

COMMITTEE MEMBER.—You would still retain control by virtue of your power to license?—(Sir Richard Williams) Then I should have to get more law officers.

COMMITTEE MEMBER.—You are completely opposed to the system that I have mentioned?—(Sir Richard Williams) Yes. It would be similar to a Government telling people to build that it would run, a railway to their town provided that they build and operate a railway station.

COMMITTEE MEMBER.—Has local government ever submitted to you a proposal such as we have been discussing?—(Sir Richard Williams) No.

COMMITTEE MEMBER.—Apparently it has appealed to them as little as to you?—(Sir Richard Williams) I should say so.

COMMITTEE MEMBER.—I take it that the aeronautical authorities in the United States of America have not the same power for enforcing safety standards as your Department has?—(Sir Richard Williams) I think that they are in a similar position but, in the United States of America, the local authorities are jealous of their rights and, having the money, they are developing the airports and running them themselves. We have not met that difficulty in Australia because our State and local authorities have not an abundance of funds or, for some other reason, they do not want to accept the responsibility. If the States wished to exert their authority in this manner, they could do so.

COMMITTEE MEMBER.—Could you compare the economics of the two schemes?—(Sir Richard Williams) The American system is cheaper for the central authority because the States and local authorities put their own money into the construction of the airport. But I think that more money would be spent by the nation as a whole under the American system than would be spent under our system.

COMMITTEE MEMBER.—Do you ever find that a local authority is not prepared to undertake the initial development of an aerodrome at a place which you consider should have an aerodrome?—(Sir Richard Williams) No. We have found ourselves receiving many requests for aerodromes from local authorities who thought that there was justification for an aerodrome in their area so long as the Commonwealth paid for it, but we did not consider that there was any possibility of their locality developing enough traffic to justify an aerodrome. We think in terms of localities or areas rather than in terms of particular centres."

Q. 450-452

452, 444-445

Q. 462.

Q. 461-5.

97. Your Committee have on earlier occasions² expressed the view that it is desirable, wherever possible, that the Commonwealth should avail itself of the services and resources of local authorities to implement its own programmes. The same is true whether they be in the works field or in such activities as the provision of aerodromes. We suggest for consideration that if the Department were inclined to be a little more generous with advice and funds, it might be possible for local authorities to develop for themselves, and to the benefit of the airways system, aerodromes of a standard satisfactory to the Department. We do not consider the problems of supervision insurmountable; and we consider that the savings to the Commonwealth and the possible speeding up of the programme resulting from the stimulation of local enterprise would be well worth the effort involved in achieving them.

98. We note in passing that in the comparatively remote western area of New South Wales, some enterprising self-help of the kind we have been discussing has already occurred. Apparently without any departmental support whatsoever, the local council and Butler Air Transport Pty. Ltd. agreed to contribute some £10,000 each to help in the sealing of a runway. In this way, a more serviceable aerodrome was provided, and greater opportunity was given to the operator to conduct a regular and efficient service to the town. We were also informed by the Director-General that Ansett Airways Pty. Ltd. had offered the Department some financial assistance to seal the runway at Coolangatta, and that the Department had accepted the assistance and carried out the work.

(c) SYDNEY (KINGSFORD SMITH) AIRPORT.

99. More money has been spent by the Department on Sydney Airport than on any other airport owned by the Commonwealth. The total amount spent to date appears to be in the vicinity of £8,500,000, of which some £400,000 was spent before the war and almost £8,000,000 c. 530-512 to date since the war.

100. Several matters connected with the airport at Mascot engaged our attention—

- (i) the original cost of the airport,
- (ii) the delay in completion of the alterations and extensions to the airport, and
- (iii) the problems faced by the Department as a result of the rapid innovations in and changing requirements of civil aviation in the post-war period.

101. Your Committee asked whether the cost of developing Sydney Airport was comparable in any way to costs of developing similar American and British airports. We were told that the cost of Sydney Airport to-day compares favorably with that of several of the larger international airports in those countries and in Europe. The approximate costs of these airports were given to us by the Department as follows:—

	£	Q. 538.
Sydney	8,500,000	
New York—		
Idlewild	45,000,000	
Newark	30,000,000	
La Guardia	10,000,000	
San Francisco	9,000,000	
London	45,000,000	
Zurich	10,000,000	
Schiphol	10,000,000	

102. We were informed that San Francisco is a city similar in size to Sydney, and that London Airport handles much the same amount of traffic as does Sydney. Therefore, on international standards, and making a crude comparison, it seems that expenditures to date have not been excessive, although we have had no opportunity to compare the standard of facilities provided.

103. During 1945 and 1946 the Department decided that it would be necessary to develop an airport at Sydney capable of handling not only domestic airways traffic but international traffic from the north-west and from America and New Zealand. The Mascot site was at that time, we were told, in many ways unsuitable for development because of the extensive topographical alterations necessary to provide sufficient runway length. We asked whether the Department had considered the possibility of "removing the airport from its site instead of diverting the river". We were told by Dr. Bradfield, Director of Airports for the Department, that—

"We did consider that. After searching around Sydney, we came to the conclusion that Mascot was the best site. The next alternative was at Towra Point near Oranulla, an additional six miles from the city. That would also have required very expensive

² See especially the Committee's Fifth Report, on the Department of Works.

construction including the stabilization of the sandhills on the southern side of Towns Point in order to prevent a nuisance which would be caused by sand being blown onto the airport. The matter was investigated by the Department of Works and the Department of Civil Aviation in 1945 and in 1946. We obtained the opinion of operators and of pilots. It was decided that from the points of view both of good aircraft operation, closeness to the centre of population, and also cost, it was best to develop the Mascot site. It is difficult to find any other site around Sydney. Bankstown is being used for light aircraft but, once you get past Bankstown, you have to go about 30 miles from Sydney to get another site.

COMMITTEE MEMBER.—What would you consider an economic distance for an airport to be from a city?—(Dr. Bradfield) You must treat it on an *ad hoc* basis. There are very few aerodromes more than 10 miles from the capital cities that they serve. One is at Montreal, which is 14 miles away, but it is connected by a very good motor road.—(Sir Richard Williams) The Commonwealth has already spent a lot of money at Mascot.—(Dr. Bradfield) That was taken into account when we chose Mascot as the site for the airport.

COMMITTEE MEMBER.—From the viewpoint of cost only, how would Cronulla compare with Mascot?—(Sir Richard Williams) The estimates were roughly comparable but the cost now is greater than the estimates, so the costs would be roughly comparable."

Q. 771.

104. When an estimate was made of the cost of developing Sydney Airport—in 1945 or 1946—it was thought that the development would be completed by about 1951 or 1952 and that the cost would be £5,000,000, including the cost of the land. That estimate covered only the first of the three stages of construction, which, we were told, would occupy in all some ten or fifteen years. It was given Cabinet approval. The Department informed us that it expected to spend some £800,000 on the airport in 1955-56, and that in the next few years the programme is to develop the apron areas. After 1955-56, the expenditure is expected to fall off to about £100,000 a year for the next two or three years. Then will come the development of the overseas terminal area costing £1,000,000 to £1,500,000. Therefore, Sydney Airport is estimated to cost the Department a further £2,000,000 over the next five years, making its total cost since the war some £10,500,000.

Q. 771.

105. The project has been kept continually under review by the Department, and as time has passed the amount of work to be done has been reduced. The reduction is because modern aircraft are better able to land and take off without their line of sight being directly into the wind. Consequently, only two runways have been constructed at Sydney Airport instead of the four originally planned.

106. In spite of these reductions, delays have continually occurred and upward revisions of the estimated cost have been made. It is now expected that work on the present (the first) stage of construction will be completed in about 18 months from now, some four or five years behind schedule, and that its cost will be, as indicated earlier, about £3,500,000 or £3,500,000 more than the original estimate of £5,000,000. The overseas terminal area is the next major project and would take the cost to some £10,000,000.

107. The delays and upward revisions in cost are not the first of their kind met with by your Committee in the course of our inquiries. We recall the recent Inquiry into the accounts of the Australian Aluminium Production Commission* and the way in which their estimates of cost rose from some £3,000,000 to £10,500,000.

Q. 525.

108. It is difficult to apportion the responsibility for the delay and upward revision of the estimates of cost: we look to more effective co-operation in this matter from all concerned. We cannot help considering that to a certain extent the Department of Civil Aviation has not adequately faced up, at this point, to its own responsibilities for making accurate estimates—

Q. 769-770.

COMMITTEE MEMBER.—So it is fair to say that in very many cases, particularly at Mascot or Essendon, the original estimates are exceeded not only because of inflation or higher costs but because of poor estimating in the beginning?—(Sir Richard Williams) I would not like to say that. I think you could ask Works people about that. They are exceeded because of other conditions that are not foreseeable. I would not like to criticize those who have made the estimates.

COMMITTEE MEMBER.—Would 'other conditions' mean changes in the requests or plans of your own Department?—(Sir Richard Williams) Sometimes, but usually it is the conditions under which the job has had to be done.

COMMITTEE MEMBER.—Works suggested to us that a lot of their problems were related to the inability of departments to make up their minds. They frequently changed their plans and ideas?—(Sir Richard Williams) It is not a matter of making up our minds, but a job takes so long to complete that development is going on in the meantime. We try to take the opportunity of improving on what we have asked for, in order to meet that development. That happens time after time.

* See the Twenty-first and Twenty-second Reports of Your Committee, tabled and ordered to be printed by the Senate on 7th June, and 27th October, 1956, respectively, especially Chapter VI, of the Twenty-first Report.

COMMITTEE MEMBER.—That could add quite substantially to the cost?—(Sir Richard Williams) But it would be much more expensive if we let the job be completed and then asked for the improvement.

COMMITTEE MEMBER.—It seems to me that there is no system within your Department of recording the costs actually incurred, as compared with the estimates. I found to be substantially in excess of estimates, there would be a high-level investigation to the reasons so that it would not happen again, either in the same place or in some other place?—(Sir Richard Williams) We are not the constructing authority and therefore until the work has been done and the expenditure has been incurred. We are not the people who keep the Works accounts."

109. We realize that unforeseen delays can occur and that they can on occasion contribute materially to cost increases. Or again, that real difficulties may arise from action taken as a matter of urgency and without proper records being kept, as in the case of the aprons at Sydney Airport. Recently, the aprons began to give way under the weight of heavy modern aircraft. They have been repaired by the Department of Works, but involved expenditure that had naturally not been anticipated when the estimates for the work at the Airport were drawn up. However, we were told that the weaknesses in the aprons would not have accounted substantially for the increase in cost and were given by the Director-General the following illuminating picture of the war-time development of the airport:—

"I think it is essential to get the correct picture and remember that Mascot has been developed like Topsy over the years. No proper engineering records have been kept of what has been done. It started off with an open paddock. When a pool developed in one place, some material was rolled into it. If another pool developed, that was filled in. These city aerodromes have not been planned from the commencement. So, at the end of the war when the plan for Mascot was considered, those who had the preparing of the plans found that the whole area of the ground was scaled over and they were not in the position to judge the nature of the soil underneath. The work had been done during the war in order to meet the needs of the moment and no engineering record was kept of what was put into the ground. The result is that in these cases we are feeling our way and paying our way.

Q. 757-758.

COMMITTEE MEMBER.—Is that true of Essendon?—(Sir Richard Williams) No. When I took over the Department of Civil Aviation I thought that we had missed an opportunity during the war because runways had not been put in at Essendon. However, I found out later that we were lucky that they had not been put in. We were able to select our runways and have them properly engineered. We know exactly what their construction is and what they will carry."

The light-hearted description by the Director-General of the development of these aerodromes as resembling Topsy's growth is not an inapt statement of the perfunctory attitude of the Department to much of its financial administration.

110. The Department attributed the rise in cost over the first estimate of £5,000,000 to price inflation, to the numerous and unforeseen increases in the weight of aircraft and to interruptions because of continued use of the airport during extensions. We cannot, however, attribute to those causes the need by the Department to seek extra funds to complete this stage of the work at dates so close together as November, 1954, and July, 1955, an additional £500,000 being made available on the latter occasion. Your Committee have consistently taken a serious view of inaccurate estimating. Inaccuracies of this magnitude might well be regarded as prima facie evidence of a deplorable lack of efficiency.

111. Your Committee were informed by the Department that the Department of Works does not supply them with progressive costs, except on an overall basis. No break-down of the figures is shown in the statements of progressive expenditure submitted by the Department of Works, and we were informed in evidence that the statements are only received at the end of each three months. We have since been informed that the statement is submitted monthly, and have sighted a copy of it. It gives no detail whatsoever. The expenditure (amounting to £570,000, with authorizations for £4,000,000) is analysed only by Divisions of the Estimates and according to the expenditure in each State. No details of even the major individual projects are given, except for the item "international airport", where two figures are given—the authorization and the expenditure to date. It is our view that if the Department of Civil Aviation took more steps to obtain the necessary information about how its works projects are proceeding, it might be able to make more realistic its plans, programmes and estimates.

112. We are also surprised to learn that the Department of Works does not supply the Department of Civil Aviation with more information. During our Inquiry into the Department of Works* we received evidence from Mr. Maunier, Construction Manager of the Department

* See the Fifth Report of the Committee, presented on 6th October, 1955.

of Works for New South Wales, that the Department was endeavouring to make a new approach to costing by using estimates of the man-hours involved rather than estimates simply of cost. We were interested to know whether these would be made available to the Department of Civil Aviation.* We suggested that if they were, the Department of Civil Aviation might have more knowledge about the way in which their works were proceeding and less need to revise plans or to seek belated approval for extra amounts of money required to meet rising costs. On the other hand, we note the comment of the Director-General of Civil Aviation that it was not for him to watch closely the costs of works as they proceeded. He regarded his function as being to seek further funds when told by the Department of Works that they would be required—

“COMMITTEE MEMBER.—From the various departments we have gone through it seems that there is not a very close attention to these matters by the responsible department. You have got to provide the money. Therefore, I should say that you would be continually checking on Works to see that they did not exceed their estimate. I should think that immediately they began to exceed the estimate, you would want to know why!—(Sir Richard Williams) As I said before, if the Director of General Ground Facilities and the Director of Air Ports wanted sufficient clerical and other staff to keep all those details in my Department, I should think that they were duplicating what was being done in Works, because Works must do it. They should be able to tell us, whenever we want to know, how much is being spent, and they do. But if my fellows were keeping similar records, I should think that a waste of public money.

COMMITTEE MEMBER.—As the head of the Department responsible for this expenditure, are you satisfied that, your constructing authority, the Department of Works, gives you the best possible deal?—(Sir Richard Williams) I have no reason to think otherwise. I am not acquainted with their problems. If the Director-General of Works came along to me and said there was something wrong with the airways system, I should ask him what the devil he knew about it. If I did something like that to him, he would probably say the same thing to me.

COMMITTEE MEMBER.—Your Department is paying, though?—(Sir Richard Williams) We are paying, but it is a Government decision that the Department of Works shall be the constructing authority for the Commonwealth.”

A review of the evidence leads the Committee again to emphasize the haphazard and perfunctory approach of the Department to financial control. Here is a department spending millions of pounds through the Department of Works and neither Department seems to have been vitally interested in whether that money was being spent effectively, or even properly.†

113. Your Committee consider that at the very least, the client Departments should insist upon receiving, and then make intelligent use of, a statement from the Department of Works showing how costs are working out compared with the estimates and the funds available. Any responsible private enterprise would do no less, and public money is here involved. We understand that in October, 1954, the Treasury introduced a new works procedure, to apply to and after the financial year 1954-55. According to the new procedure, when any increase occurs of more than 10 per cent. (or £2,000) over the estimated cost of the work, the Department of Works must inform the sponsoring Department, which must in turn approach the Treasury for more funds. If the Treasury is not satisfied with the reasons given for the increase over the estimate, it will call for an investigation of the reasons for the increase and take whatever action may, in the circumstances, be appropriate.

114. While we realize that it is always difficult, when major developmental programmes are being carried out, to make accurate estimates of the likely final cost of the works, and that it is also difficult to carry them out to a strict time schedule, we consider that the time is ripe for marked improvement in this sphere. It is gratifying to know that the Treasury has already taken steps, in consultation with the Department of Works, to overcome just the problems we have been discussing. What Your Committee look for is—

- (i) that when departments prepare new works programmes, they should bear in mind the likely availability of funds;
- (ii) that when, in pursuance of their new works programmes, departments lodge requisitions with the Department of Works, they will, from their own knowledge, endeavour to make a realistic appraisal of the possibility of completing the works requisitioned within the period for which the funds have been made available;
- (iii) that the Department of Works will take care not to accept work in advance of what it can reasonably expect expeditiously to complete;
- (iv) greater accuracy in the drawing up of works estimates.

* In the course of our inquiry into the Supplementary Estimates, Section 27 Variations and Over-estimates of the Department of Works for 1954-55, we were told by the Assistant Director-General of the Department of Works that if the Department asked for further information, the Department of Works would supply it.

† See also the quotation in paragraph 108 above.

115. Your Committee consider that the inability to complete the work at Sydney Airport is but the foremost example of a lack of realism in departmental planning. It is not expected that Departments, in their plans for future development, will exhibit timidity or excessive caution. We look for realism and for a reasonable assessment, in handling the funds available, of all the resources that can be used to carry out projects that have been planned. In this particular sphere of the operations of the Department of Civil Aviation there is no evidence that financial controls and arrangements have fallen so far behind the rapid development promoted by the Department that gross mismanagement has occurred. But it is our opinion that there has been a signal lack of appreciation of the duty that all Commonwealth officers have to see that the public funds are properly and responsibly spent.

116. We make detailed comment on the job costing aspect in Chapter VIII.

CHAPTER V.—THE DEPARTMENT'S ACQUISITION PROGRAMME.

(a) OPERATION OF THE ACQUISITION POLICY.

117. The Department requires land for two distinct purposes. The first is to enable it to extend its existing aerodromes or to provide new ones. The second is to enable it to install additional instrument aids along airways. Your Committee were informed that, in general, the Department prefers to own land that is to be used for aerodrome purposes and will in most cases take it over from a local authority. Over land that it wishes to use for navigational aids (the sites for which it mostly selects for itself) the Department is normally willing to take a lease or some other right of user.

Qn. 747-750.

118. Under the existing administrative arrangements for the Commonwealth, the Department of the Interior executes acquisitions of land after receiving requisitions for it from the Department. Wherever possible, we were informed, the Department acquires the land without resorting to the powers of compulsory acquisition. The result may often be to prolong the delay that occurs between the preparation of a requisition for the land and its actual acquisition by the Department of the Interior.

Qn. 417, 749.

119. The Department told us that their acquisitions are undertaken according to a programme. Year by year, the Department decides what land it will require for various purposes and informs the Department of the Interior. That Department indicated that when a programme is prepared for a given financial year, some value is put upon each proposed acquisition, and the aggregate is submitted to the Treasury as the Estimate for the year (see Capital Works and Services Estimates, Division 16). In the ordinary run of events, we were told, the estimate is cut and the Department revises its programme, with the approval of the Minister, to fit the reduced estimate. The Director-General said—

“We succeed each year in placing requisitions with the Interior for the full amount of our vote. Once the Department of the Interior has that requisition, they proceed to negotiate with owners. Very often they meet objection when it comes to a discussion of values. When the Commonwealth comes along to buy a piece of land, its value goes up overnight in a miraculous way. Consequently, the Department is held up in completing the acquisition.”

Qn. 528-529.

COMMITTEE MEMBER.—I wonder whether the approach of the Department in relation to this item is the correct one and results in expenditure of the money which Parliament makes available in a particular year?—(Sir Richard Williams) I would say we are guided by Treasury practice in these things. Speaking generally, we cannot commit ourselves for something for which Parliament has not voted the money.”

120. Two matters arise out of this discussion on the operation of the acquisition policy of the Commonwealth in regard to civil aviation. First, the question of revotes and of money in the Acquisition Vote that remains unspent in any year; second, the powers of the Department to proceed with acquisitions without prior Parliamentary vote of the funds involved. These two matters we discuss in the following section of this Chapter.

(b) ACQUISITIONS MADE IN ADVANCE OF ACTUAL USE.

121. As an example of an acquisition made in advance of actual use we mention the land acquired at Brisbane (Eagle Farm) Airport. We were told that the original aerodrome at Brisbane was at Engle Farm. The Department states that “this land is a low-lying area to the east of the existing aerodrome, to be used for development and duplication of the runways when required. It is expected that the existing single runway system will cater for the traffic for the next ten years at least. The land has been acquired to ensure that sufficient land is

Q. 576.

preserved for future aerodrome development at Brisbane. Until it is required to be used the land will be leased for grazing purposes—its present use.* The Director-General told us that before the war the original aerodrome at Eagle Farm had been abandoned, but was developed again during the war. When after the war it was released by the Services, it reverted to the Department's possession. Most of the land acquired for developing and extending the aerodrome has been obtained from a small number of owners, and in one or two cases it was necessary to acquire compulsorily—

Q 577-584. "COMMITTEE MEMBER.—Are the original owners using it at present?—(Sir Richard Williams) We purchased some of this land looking ahead to possible expansion in the future, and in order to protect ourselves and not have people building on the fence again, we have acquired land and the owners are now leasing it for the same purposes as they used it before.

COMMITTEE MEMBER.—That was for grazing, was it?—(Sir Richard Williams) Yes, I think so.

COMMITTEE MEMBER.—The possibility of development of the land you needed in Brisbane was very real, was it?—(Sir Richard Williams) It is very real everywhere.

COMMITTEE MEMBER.—You are not going to use this for ten years—this land you have acquired?—(Sir Richard Williams) Maybe. It depends entirely on the development of the country.

COMMITTEE MEMBER.—You would not compare the Eagle Farm land near the aerodrome with the land near the aerodrome at Essendon, from the point of view of home building, would you?—(Sir Richard Williams) In value, no.

COMMITTEE MEMBER.—For home building. It is very swampy, is it not?—(Sir Richard Williams) That is right.

COMMITTEE MEMBER.—It has been suggested in Parliamentary circles that some of that land has not been wanted and that the Department has decided to sell it again. Is there any truth in that?—(Dr. Bradfield) The amount of land that was set aside was recently reviewed and it was concluded that it was no longer necessary to keep one particular portion, and we advised the Department of the Interior not to proceed with the acquisition of that comparatively small piece.

COMMITTEE MEMBER.—And it is not contemplated that you should sell any land that you held at Eagle Farm?—(Dr. Bradfield) No.—(Sir Richard Williams) We often have a case where we require land and the Department of the Interior finds that it is going to be detrimental to the owner if we take part only of his property and leave him with a little bit. In those cases, according to the conditions required, the whole property is acquired and portion is sold afterwards.

The cost of the acquisition at Brisbane was £17,500. It is land for which it may be said either that there was a prospect of reasonably early commercial development or that it would have no other or a very restricted commercial use. It is at present being leased by the Department for grazing purposes.

122. Your Committee questioned whether it was necessary to acquire the land at Eagle Farm, when it appeared that the Department would not wish to use it for several years, possibly for as many as ten years. The land is not immediately suitable for home-building because it is somewhat swampy grazing property. The Director-General told us that the Department had acquired it because—

Q 587 "During the whole of my experience in civil aviation, which has been from 1946, the cost of land has been going up and up. So it is desirable to get it now, if possible. At Brisbane, there were two factories close to the aerodrome. Both the companies concerned had plans for development which would have interfered with our plans and we thought it desirable to 'clear the deck'. After our officers have inspected a site, we have had the experience of some opportunist bringing out a plan for the subdivision of the area for building purposes."

123. Your Committee were repeatedly told that the activities of the Department are hampered by lack of funds. This means that the soundness of any proposals for acquisition, e.g., near Brisbane Airport, has to be judged in the light of an immediate scarcity of funds as well as on technical grounds. It is not clear that the acquisition was justified. However, the Director-General told us that the Department did not acquire for future use anything but land adjoining existing aerodromes—

Q 585 "COMMITTEE MEMBER.—Approaching the problem of the acquisition and development of land from a different angle, do you consider the acquisition of sites which will not be used for ten years might be a little premature because of the advances that are taking place in aviation to-day?—(Sir Richard Williams) We do not acquire sites not to be used until the future. We have done that only in regard to extensions of existing aerodromes. We have not gone out and said we will want an aerodrome in a certain place in the years to come, and we will buy land and sit on it. We have not the funds to do that sort of thing because the money so used could be used to put a new runway into had aerodromes or build a traffic terminal in the country."

* See Exhibit No. 237b.

124. There are also certain cases where because of an immediate threat to an aerodrome approach the Department has actually acquired land, e.g., the property of H. C. Sleigh Ltd. in Sydney. H. C. Sleigh Ltd. is a large firm and its buildings could, we were told, become a menace to approaching aircraft in the reasonably near future. Even in such a case as this it is possible that the necessary limitation to the buildings could have been achieved without resort to a step as costly as acquisition. It might, for example, have been possible to secure some limitation upon the use to be made of the land by the owner.

125. Another acquisition into which we inquired in some detail was that at Bankstown, costing £55,000. The Department stated that the acquisition was made during 1951-52 to enable the construction of a runway; there is at present only a grassed surface and increasing use of the aerodrome by civil and service aircraft is anticipated.

126. We were informed that the Department did not expect to construct the runway until 1958, and note that the design projects scheduled for 1955-56 do not include Bankstown. We were told by Dr. Bradfield that—

Q 588-591. "If both the Department of Civil Aviation and Department of Works can get a clear run at it—if there are no other jobs on hand—the soil investigation survey and design can be done in about six months. But because of other jobs on hand and because both the Works Department and our Department are short of professional staff, it would take about a year to carry out the investigation and design.

COMMITTEE MEMBER.—How long would it take to construct?—(Dr. Bradfield) Between six months and a year for a runway of that nature.

COMMITTEE MEMBER.—So it will not be constructed in 1958 as was the original intention?—(Dr. Bradfield) It could be done. '1958' means in the financial year 1958-59.

COMMITTEE MEMBER.—You would have to boost its priority?—(Dr. Bradfield) Each year, we prepare a design list for work to be carried out in the following financial year. This work could get on to the design list in eighteen months' or two years' time. Consequently, the runway could still be built in 1958 if we get the necessary funds and if the work is still necessary. It may be that the development of air traffic at Bankstown will not come up to expectations and that it will not be needed. But if it is needed, we can build it.—(Sir Richard Williams) We have been pressed to complete the work on Bankstown because the Air Force is using the place for the overhaul of its jets."

127. It is interesting to speculate upon what the state of the work at Bankstown will be in 1958-59. It seems reasonable to conclude, from the facts presented to Your Committee, that the work will not be complete.

128. We inquired of the Department about the proposed acquisition of land for an aerodrome at Newcastle, New South Wales. The facts are that—

- (i) The land is frequently under water, although it is used for grazing "when it is free of water and there is grass on it".
- (ii) The Department's proposal is for the acquisition of 2,000 acres, though it will only use 1,400 acres.
- (iii) The Department of the Interior has not proceeded with acquisition at the price set by the seller—some three times that at which it was valued by departmental valuers.

Your Committee are of the opinion that such an acquisition requires a thorough and careful re-examination, because—

- (i) the site is too large;
- (ii) substantial filling would be necessary before an aerodrome could be constructed;
- (iii) all these factors may make the aerodrome that would eventually be constructed excessively expensive.

129. The Department appears on a number of occasions to have wanted to acquire land considerably ahead of the capacity of itself or its agents to carry out the necessary preliminaries. Your Committee view with some concern the way in which land is acquired as we have described above, with only a possibility that it will be used at some more or less indefinite future date. It is also a matter of concern that land should be requisitioned for, and in some cases actually acquired, only to be returned at a later date to its original owners or some other persons. Your Committee recommend an overhaul of the procedures of the Department in this regard. We discuss the matter more fully in the following Section.

(c) DELAYS AND ERRORS IN ESTIMATING.

130. Your Committee found, in the course of investigating the Estimates submitted by the Department to Parliament for approval, that in recent years the Department has substantially underspent the moneys voted to it for land acquisition. The Department seeks Parliamentary approval for its acquisition programme under Division No. 16 (Acquisition of Sites and Buildings) of the Capital Works and Services Estimates. Expenditures in recent years are compared in the following table with votes for those years:—

Year.	Vote.	Expenditure.
	£	£
1950-51	500,000	572,283
1951-52	355,000	707,164
1952-53	700,000	589,286
1953-54	600,000	500,158
1954-55	550,000	155,906
1955-56	570,000	

It can be seen that since 1952-53 expenditures by the Department on the acquisition of sites and buildings have in each year been less than the amount voted.

131. In reply to our inquiry as to the reasons for the Department's inability to expend the moneys voted, Your Committee were informed that the completion of acquisitions is particularly difficult to forecast accurately, and that the annual cash basis upon which the public accounts are based is not wholly suitable for a continuing programme of a capital nature. The following statement of the Department's view of its Estimates of Expenditure under this head is, we consider, regrettable:—

"COMMITTEE MEMBER.—So when you state an amount for the acquisition of sites in the Estimates, it represents hopeful anticipation rather than reality.—(Sir Richard Williams) You are referring to the completion of the acquisition within the current year?"

COMMITTEE MEMBER.—Yes.—(Sir Richard Williams) We have not the faintest idea whether it will be completed within the year."

132. We quoted in Chapter IV. (see paragraphs 108 and 112) another section of our Minutes of Evidence that we think indicates that the Department adopts an insufficiently responsible attitude towards the progress of its works and acquisitions. While we acknowledge that, for purposes of convenience and efficiency, the Department does not actually make its own acquisitions and major works, this does not mean that it should not take a responsible and interested attitude towards what is going on. Your Committee conclude that the Department has not demonstrated in these matters a sufficiently responsible attitude.

133. We asked about departmental acquisition procedure. We were informed that, when an acquisition is to be made, the Department of Civil Aviation decides upon what land it desires to acquire, obtains, if necessary, the approval of the Minister for Civil Aviation, and then lodges a requisition with the Department of the Interior. The Department of the Interior commences at that stage to enter into negotiations with the landowner. According to Treasury Regulations, a requisition for services may not be lodged unless an Authorizing Officer has given his certificate that funds for the purpose are available. Therefore, the initial delay will be between the time when the Department decides that it desires to acquire certain land, and the time when its Authorizing Officer is able to indicate that funds are available, i.e., that Parliament has approved the Estimate that includes the acquisition.

134. Your Committee inquired whether it would be helpful to the Department of the Interior if it received requisitions for acquisitions early in the financial year. We were informed that the Department of the Interior "would then have a better chance to negotiate". In response to our request, the Department of Civil Aviation prepared for us a statement of the requisitions placed by it with the Department of the Interior and of the acquisitions of sites made on its behalf over the years 1951-52 to 1954-55. We found on analysis that of the requisitions lodged by the Department of Civil Aviation with the Department of the Interior over that period, 57 were lodged in the first six months of the year and 64 of them in the second half. The conclusion that can be drawn from the statement submitted by the Department is that on the whole, more requisitions are lodged with the Department of the Interior in the second half of the financial year than are lodged in the first half; that the requisitions for buildings are normally completed relatively quickly—within a period of about six months; and

that requisitions for land very often take upwards of a year to complete. The following table is a random selection showing the times taken to complete acquisitions*:

REQUISITION AND ACQUISITION DATES.

Location.	Purpose.	Date of Requisition.	Date of Acquisition.
(a) BUILDINGS.			
Carlton, Victoria	Laboratory and training school	22.1.53	20.3.53
Guildford	Building	22.9.52	31.7.53
(b) LAND.			
Cleve	D.M.E. site	24.7.51	3.6.54
Wagga Wagga	Residence site	2.10.51	31.1.52
Townsville	Transmitter station site	15.11.51	8.9.54
Kalgoorlie	D.M.E. site	19.11.52	21.12.53
Preston	Marker beacon site	23.2.54	In progress

135. The Department of Civil Aviation informed us that it was not possible for them to permit the Department of the Interior to have requisitions before the passing of the annual Estimates—

"COMMITTEE MEMBER.—I had an idea that in some other investigation we discussed the power of the Executive Government to actually enter into contracts in anticipation of Parliamentary approval. Do you tell me that you are restrained even from calling for tenders until you get Parliamentary approval.—(Sir Richard Williams) Until the money is available.—(Mr. Badenach) I should like to take up this point. We are administratively restrained from calling tenders for equipment until the money is actually available. At the moment, we are in a state of suspense because the Budget has not been passed, but if we could commence calling tenders in February or March for the year 1955-56, on the understanding that we could enter into no commitment until the Budget was passed, I think we could make an appreciable difference in that re-vote, and it would cover, to an extent, the point Mr. Hulme mentioned. I am under the impression that I am restrained from commencing tender action until the Budget is passed."

Your Committee understand that the Treasury has been working with the Department of Civil Aviation on this subject, and is instituting a new programming procedure designed to eliminate delays as far as possible by permitting tenders to be called and other preliminaries to be undertaken before the passing of the Estimates, so that the main operation can commence as soon as Parliamentary approval to the expenditure of funds is given.

136. The Department told us that one of the reasons for the delay in placing requisitions with the Department of the Interior is that the work of preparing them has to be spread over the whole twelve months and cannot easily be concentrated in any particular period of the year. We consider that this explanation does not meet the point made by Your Committee. What Your Committee were seeking was an explanation of two things:—

- (i) why the Department places more requisitions in the second half of the year than in the first half, if the explanation is not linked in some way to a desire to place extra requisitions late in the year, thereby taking up available funds that would otherwise return to Consolidated Revenue Fund at the end of the year; and
- (ii) why it is not possible to co-ordinate the preparation of requisitions and their lodgment with the Department of the Interior so that sufficient for each financial year are lodged with the Department of the Interior early in the financial year: any requisitions that are included in the Estimates must have been almost ready for lodgment by the commencement of the financial year in order to allow them to be included in the Estimates for the year.

137. Your Committee do not wish to regard the explanations given as obscureant, but find ourselves not convinced by them. We can see no reason why the Department of Civil Aviation should be unable to lodge more requisitions with the Department of the Interior in the early part of the financial year. We refer, for example, to the questions we asked about land for navigational aids at Coffs Harbour and Wagga Wagga, requisitions for which appear to have been delayed many months after the item appeared in the Estimates. Moreover, if, as was stated by the representative of the Department of the Interior, early lodgment is going to

* See Exhibit No. 23/55 for further details.
† See Appendix II of the Auditor-General's Report for year ended 30th June, 1955.

assist them in completing acquisitions within the year of estimating, there is an incentive for lodging the requisitions early. We recall that the Department of Civil Aviation informed us that "the actual compilation of the requisition is a short process".

Qs. 1696-1702, 1706.

138. Mr. Bellhouse, Property Officer of the Department of the Interior, whom we asked to appear before us to advise us on this subject, told us that—

Q. 632.

"The money that we would spend in a year would be determined, to a large extent, on the date on which we received a requisition from the Department. If the Department comes along too late with a requisition—say, in the last three months of the year—the possibility of negotiating a settlement in that year is pretty well hopeless. If it comes forward with the requisition early in the financial year, the possibility of getting a settlement is greater."

Once the requisitions for a given financial year have been placed, there seems to be no good reason why the Department of Civil Aviation could not set about preparing requisitions for the estimates of the following financial year and in that way keep the process moving and the Department of the Interior satisfactorily supplied with requisitions. The present backlog should enable this process to be instituted without difficulty.

139. Linked with the problem of giving requisitions to the Department of the Interior early in the financial year is the difficulty encountered by that Department in its attempts to estimate with any degree of consistent accuracy the amounts it will require in a given year. Your Committee appreciate that it is often extremely difficult to make accurate estimates of acquisitions likely to take place in any given financial year because of—

- (i) the difficulty of forecasting how long an acquisition may take to be completed, even when it is possible to commence negotiations reasonably early in a financial year;
- (ii) the fact that, when any acquisitions are of land of high value, an error in forecasting the completion of one of those acquisitions may cause a large error in the estimate; and
- (iii) the difficulties that arise through those owners who, on learning that the Commonwealth desires to acquire their land, raise their prices.

We intend at a later date to take up with the Department of the Interior the whole problem of acquisition programming and the accuracy of estimates.

Qs. 756, 1699-1695.

140. Although it is the responsibility of the Department of the Interior to make accurate estimates—and the Department of Civil Aviation made this point—we do not consider that the Department of Civil Aviation is in this respect without fault. We asked the Department whether it would be possible to find some method of placing in the Estimates only the items for which payments will be, or are reasonably certain to be made in the coming year. The Department replied that a considerable amount of the £570,000 on the Estimates for 1955-56 represents revotes. The amount is £300,000; only £270,000 of the £570,000 is allocated to the acquisition of new aerodrome sites. Your Committee are of the opinion that it should be possible to determine with more accuracy what amounts are likely to be spent in a given year, especially when such a substantial proportion represents revotes and therefore acquisitions that have been under consideration for some time. At the present rate of progress and given the same vote, the Department will very soon have no new acquisitions on its Estimates—and there seems no immediate reason why new ones should be included. In such a case the Department should revise the rate at which it is sending requisitions to the Department of the Interior and might even consider the wisdom of proceeding with those requisitions that are now holding up the acquisition programme.

Qs. 1721, 1735.

141. The state of affairs in which most of the vote for the acquisition of sites and buildings is made up of revotes is in itself unsatisfactory. But the position is still worse when it can also be said with reasonable certainty that, of the acquisitions for which new votes are included in the Estimates, only a very few are going to be completed within the year. We inquired whether it was possible for the Minister to give a detailed answer to a Member who, when the Estimates are presented, asks what acquisitions the vote includes. The answer was that he could. We point out that although he may be able to read to the Member a list of the acquisitions included in the amount voted, he is apparently unable within extremely wide limits to inform the Member what particular acquisitions will be made. We regard this as a most unsatisfactory state of affairs. It should at least be possible for him to give some picture of what is expected, a picture that should be reflected in the size and pattern of the Estimates submitted to Parliament.

Q. 641.

142. When so many of the acquisitions contained in the Estimates are unlikely to be made during the year of estimate, it is possible that the funds will be used for acquisitions not approved by Parliament. Alternatively, the list may include more acquisitions than there will be funds for. Either state of affairs is unsatisfactory because it defeats the very purpose for which Estimates are submitted to the Parliament. It should be possible, given more careful consultation between the responsible officers of the Department of Civil Aviation and the Department of the Interior, to settle a programme that is clear and reasonably accurate. The programme should not lead to such anomalies in the respective proportions of revotes and new acquisitions as does the current one. We realize that the present situation is intractable; but we observe that it is to a large extent the result of a lack of caution and realism in the past few years and can now be rectified only by a fresh examination of requisitions already placed and a reconsideration of the acquisition programme as a whole.

CHAPTER VI.—FACILITIES ON COMMONWEALTH AERODROMES.

(a) BUILDINGS ON AERODROMES.

143. Some of the buildings on Commonwealth aerodromes—mainly passenger terminals and hangars—are owned by the Commonwealth and some by the operators. We therefore inquired what is the policy of the Government in regard to the ownership of buildings on Commonwealth aerodromes.

144. We were informed that the current statement of policy was drawn up in 1949, shortly before the present Government came into office, and has continued in force since then. The policy is that, on its own airports, the Commonwealth should acquire all buildings, whether they are passenger terminals or hangars. New buildings would be constructed by the Commonwealth and leased to operators. The Director-General explained to us that—

"... the original idea was that the Commonwealth would acquire a piece of land and it would lease part of that land to a person who wished to operate an aircraft. He would erect his own building on it. That is why we see a collection of shanties at most of our airports, and I think it is a very poor show so far as Australia is concerned. The great majority of the buildings that are really worth while were erected by the Government during the war. I shall outline the kind of problem that we might have with the private owner of a building. The intention was that, when a person wished to erect a building on a piece of leased land at an airport, he would submit to the Department a plan of his intended building. If that plan were approved, he would proceed. People who owned one aircraft of a particular type came along—and this happened in the post-war period, too—and submitted plans for galvanized iron sheds capable of taking that particular aircraft. My attitude was that would be a waste of valuable area on the airport and that if we allowed that sort of thing to continue we would only enlarge this collection of shanties. We would discuss the matter with the person concerned and say: 'This is not the kind of building that we ought to put on an airport. It is nothing like any other building that we have here'. He would say: 'But I have not any money to do any more than that. Are you going to put me out of business just because I have not enough money to put up a nice building?'

On the other hand, if we have a hangar built to a considered design, we could give him space in it and it would not matter how long he ran that particular aircraft. There have been men who have come along under those conditions and who, before long, have disappeared from the aviation world altogether. They would no longer own the aircraft in question, because their business was not paying and they had gone out of business.

In some cases, before we knew where we were, the building had been let to some one else for an entirely different purpose. The Commonwealth provides, in front of its hangars, a big area of apron, which is expensive to install. One company which has been in aviation for many years, and which is still in aviation, erected a building at Mascot some years ago, which it owned completely. That company walked out and let it to another operator for the housing of road transport. As I said, the company owned that building in an area which was intended to be used for the maintenance and operation of aircraft, and in front of it a large expensive tarmac had been provided."

145. In discussing the matter with the Department, it became clear that two related aspects of the policy demand separate examination. One is the provision by the Commonwealth of passenger terminals, the other the provision of hangars. On both of these matters we received documentary and oral evidence from the Department, and then invited representatives of Qantas Empire Airways Ltd., Trans-Australia Airlines, Australian National Airways Pty. Ltd. and Butler Air Transport Pty. Ltd. to submit statements to us and to appear before us. As reported in the Twenty-Third Report of Your Committee, only representatives of Qantas Empire Airways and Trans-Australia Airlines appeared before us.

Your Committee have thought it unnecessary to approach the other operators for their views, especially as they had already indicated them in summary form in memoranda submitted to the Committee prior to the hearings.

146. The position with regard to buildings on aerodromes is, as we indicated above, confused, and we set out below a summary of it as it appears to be. Confusion chiefly arises because the policy laid down by the Government, the acquisition of all buildings on Commonwealth aerodromes, has not been followed through to its logical conclusion. The Commonwealth has now acquired from operators buildings amounting in value to some £335,000 (requisitions having been lodged with the Department of the Interior, further buildings to the value of some £228,000 are in the process of being acquired); and some £146,000 worth of buildings remain to be acquired. The operators told us that they had begun to make plans to erect new buildings. These also would presumably, at some stage, be acquired by the Department in pursuance of the policy of complete Commonwealth ownership.

147. The policy having been in force from the beginning of the financial year 1949-50, Your Committee consider that the acquisition programme might by now have been completed. We were informed that matters had been proceeding satisfactorily until sometime during 1954. In 1954, the Department was advised that no more funds would be available with which to acquire the remaining unacquired buildings on aerodromes owned by the Commonwealth. We were informed by Qantas Empire Airways and Trans-Australia Airlines that hangars of considerable value are as yet unacquired—to the extent of some £50,000 in the case of Trans-Australia Airlines and £250,000 in the case of Qantas Empire Airways.* There is, we understand, a number of buildings owned respectively by Qantas Empire Airways, Butler Air Transport, MacRobertson Miller Aviation Co. and Australian National Airways for which requisitions have not yet been placed with the Department of the Interior.

148. Despite the halt in the Department's acquisition programme, the operators have found it necessary to continue to extend their existing aerodrome facilities, and to erect new ones. This is true of both passenger terminals and hangars. The extensions and additions have, of course, been made by the operators, who have not known whether or not the funds expended would be recovered at a later date. A position of such uncertainty cannot be contemplated with any satisfaction by either the operators or the Department itself, and we consider that some realistic policy should be formulated and put into effect. Such a policy would take into account the needs and resources of operators, the expansion and changing pattern of civil aviation operations, the funds likely to be available from Consolidated Revenue for civil aviation, and the alternative ways in which the funds could be used.

149. We asked the Department what its procedure would be in respect of the new buildings now being erected—

“COMMITTEE MEMBER.—If it is the intention of the Government to go ahead with purchases such as these when funds are available, what is the policy of the Department in relation to the new buildings which operators are putting up at present? Does the Department intend at some stage in the future to recommend to the Government that it take those over also?—(Sir Richard Williams) I should say so.

COMMITTEE MEMBER.—The idea is to let the companies do the financing at this stage, and when the Government has enough money it will buy the buildings from them?—(Sir Richard Williams) There is a provision in the agreement under which the Commonwealth may acquire, if it so wishes.

COMMITTEE MEMBER.—What is the position with regard to valuations?—(Sir Richard Williams) Any acquisition by the Commonwealth will be at the prevailing value. That may be more or less than the original cost to the operator.”

150. Your Committee were interested to receive evidence from both Mr. Turner, Chief Executive and General Manager of Qantas Empire Airways and Mr. Watt, Chairman of the Australian National Airlines Commission,† indicating that they thought it would be preferable for the operator to construct his own passenger terminals and hangars and later, if at all, to receive compensation for them.

151. Mr. Turner told us that from the international operators' point of view, it is preferable for the Commonwealth to construct and own the passenger terminals used by them. In reply to a question by a Member of Your Committee, Mr. Turner said—

“What you want to know is whether we, in the long-term view, would like to own the hangars and passenger terminals. We would rather deal with them separately. We are an international airline, and, of course, we use two major aerodromes in Australia at the moment—really three, but mainly Darwin and Sydney. Since they are international aerodromes we feel that the passenger terminals are an obvious responsibility of the Government to provide, and to provide to first-class standards, comparable with

other aerodromes throughout the world. There are good reasons why they should be provided by the Government. They house the customs and health facilities, which comprise two large sections of passenger handling. That, of course, does not apply to internal operations. Therefore, we say that, in the long-term view, it is the responsibility of the Government to provide those terminals. The other factor is, of course, that they are used not only by us as international operators; they are used by Pan-American, K.L.M., B.O.A.C., which company is in partnership with us, and all the other international operators that come to Australia. Therefore, we think it is the responsibility of the Government to provide them and to continue to own them.

COMMITTEE MEMBER.—With the designing done, probably, in consultation with the operators?—(Mr. Turner) Designed, obviously, in consultation with us. We would agree to accept a large section of the responsibility of operating the terminals, as we have done. We would take the responsibility for the provision of restaurants and similar things. The actual ownership of those buildings, in our view, should be the responsibility of the Government.”

152. There seems to be considerable force in the contention that, for international operators, the Government should provide the necessary facilities. Your Committee are not prepared to recommend either way on this matter. We are concerned that, as far as possible, Australian international operators should not be left uncertain whether the Commonwealth will in fact provide them with facilities adequate for their needs. To leave them in such uncertainty makes it impossible for them to know whether or not they should plan to allocate some of their resources for the improvement of passenger facilities. We record that this situation has already arisen at both Perth and Darwin. At Perth, Mr. Turner informed us that it had already been necessary for his company to put in facilities costing £25,000. The statement submitted by Qantas Empire Airways reads as follows—

“At Perth, we recently invested £25,000 of our own moneys in a restaurant and washroom facilities in buildings owned by the Government in order to provide minimum passenger facilities to allow our aircraft to transit that point.

While the Company is reluctant to spend its own funds on buildings it does not own, we have no alternative but to do this in order to allow our services to proceed.” We were also informed that a similar situation had occurred in Darwin—

“In Darwin there is an urgent situation and we must have more facilities. The Department has not the money and we must provide it. If we do not we must lose money. If we spend £120,000 at Darwin we will effect a saving in the transit time of the aircraft, and it is better for us to spend the money instead of waiting for the Government to provide it. If they had the money it would be better for them to provide it.”

153. Your Committee consider that it is highly desirable to obtain stability, whatever policy is adopted.

154. Both the Chairman of the Commission and the General Manager of Trans-Australia Airlines had views on the building policy of the Department. Indeed, we received from them the clearest statement of departmental policy in connexion with buildings on airports. They stated that—

“Insofar as buildings on airports are concerned there are three main types of structure, namely—

- (a) Structures for the purpose of housing D.O.A. operations and traffic control, and for the maintenance of D.C.A.'s own facilities;
- (b) Traffic Terminals and passenger handling facilities for the various operators;
- (c) Structures for housing the engineering stores and freighting activities of the various operators.

The first class referred to are essentially Departmental buildings necessary for Departmental purposes. It is desirable in the interests of efficient airline operation that these buildings be sited so that operators can have quick and easy access to them and to the services conducted by the Department which they house, e.g., traffic control and meteorology.

Where a common passenger terminal is provided for the use of all operators, ownership and operation of such a building by a central authority is desirable.

In Australia it has not been common practice to have such common terminals. In the major capital cities, with the exception of Canberra and Adelaide, each operator maintains separate passenger facilities. In Adelaide, temporary passenger facilities at the new airport at West Beach are being shared by all operators until the new permanent terminal is complete. It, too, is intended to serve all operators, but they will use separate annexes. Similar plans are in hand for the terminal to be constructed at Llanerona.

At many of the smaller country airports, communal terminals are in use provided by the Department. In one case—Gairns—T.A.A. leases part of A.N.A.'s terminal building and shares the building with A.N.A. This is a recent arrangement.”†

* See the memorandum submitted to the Committee by the Acting General Manager on 8th November, 1954.
† The Australian National Airlines Commission operates as Trans-Australia Airlines.

* See Exhibit No. 27/10.
† See Exhibit No. 27/17, Statement No. 1 “G”.

155. Whether common passenger terminals should be provided is a question that appears at the moment to have received different answers in different parts of the world. The alternatives are a common terminal, provided entirely or mostly by the central authority, e.g., Adelaide and Llanherne,* or passenger terminals built by each operator for his own passengers. The advantages of central control and of overall rationalization can be expected to result from having one terminal; the advantages of competition, of individual service and of minimal congestion of both passengers and aircraft can be expected to result if operators make their own arrangements.

156. Trans-Australia Airlines share their terminals at Mascot and at other places with other operators, and we asked them whether they found the arrangement satisfactory. We received the following interesting reply from Mr. Ryland:—

"The policy question of the provision of a communal terminal or individual terminals for operators is one which has received a lot of consideration, both in America and in Australia. It is not something on which you can give a quick, easy reply. I would say that each area probably has to receive consideration, having regard to local conditions. Furthermore, historically, for one reason or another certain sets of conditions have arisen on our airports, and there are buildings which exist and are in use. The best use, of course, has to be made of those buildings. New projects, such as the provision of communal terminals, are very expensive. As to our views on whether communal or individual terminals are better, I do not think that that question can be answered yes or no, or by saying that we prefer A. or B. In one area we might believe that a communal terminal would adequately and properly suit the needs of the total operation. In another area it could equally be said that the provision of individual terminals would be more appropriate. There are examples of that at present. For instance there is a communal terminal here at Canberra—although I do not say that it is appropriate. There will be a communal terminal provided at Llanherne in Tasmania. There is one in existence temporarily in Adelaide, but at other airports, for instance at Mascot, Eagle Farm and Essendon, there are individual terminals."

157. We were told that the Australian National Airlines Commission has not given particular consideration to whether it would prefer to construct its own buildings, because in the words of Mr. Watt, "in our own case, being a wholly Government airline, the money must come out of the Government purse one way or the other". He continues—

"I think we make the point in this paper that the finance that is already available to us has been allocated in contemplation of the provision of aircraft and the necessary equipment associated with establishing and running the airline. No funds have been provided for this kind of major capital expenditure for buildings."

These remarks raise another problem associated with the operation of Government airlines. Both Qantas Empire Airways and Trans-Australia Airlines depend for capital development upon funds provided by the Government. The result may be that in a time of financial stringency such as the present, these corporations are unable to execute the kind of developmental plans that they would have undertaken had they been free to act; plans that their competitors may well be pursuing.

158. Trans-Australia Airlines told us that because they have only been in operation since the 1939-45 War, their attitude to the problem of providing facilities is rather different from that of Qantas Empire Airways or Australian National Airways. Those Companies have been in existence for many years and, until the 1949 policy decision,† operated on the assumption that they would have to provide their own aerodrome passenger terminals. For that reason, their terminals are on the whole a good deal more permanent than those of Trans-Australia Airlines, which tend to be a collection of army huts assembled for use pending the provision of a permanent terminal by the Department. However, pressure of business has made it necessary for Trans-Australia Airlines to extend its passenger terminals itself. The Corporation is at present proceeding with the erection of several new passenger terminals—

"COMMITTEE MEMBER.—Where is the money coming from for these other buildings? Are these comparatively small amounts to be provided from your own resources, or have you to go to the Treasury for a special grant?—(Mr. Watt) We have not yet faced up to the financing of those particular projects. The advice has only recently been received from D.C.A. and we are examining the question now whether we can find these sums from our own resources or must go to the Treasury for additional funds."

"COMMITTEE MEMBER.—You expect that at some stage in the future this will be refunded by D.C.A. to you?—(Mr. Watt) That is our general impression, in the absence of any specific advice. We are under the impression that this class of building is to be ultimately governed by the policy of ownership of buildings by Civil Aviation. They have not yet been excluded from the policy."

* Llanherne is the airport serving Hobart.
† See paragraph 144.

COMMITTEE MEMBER.—Will you not run into the same difficulty with this passenger terminal at Mascot?—(Mr. Watt) In the case of alterations to the terminal at Mascot, we have found those funds from our own resources.

COMMITTEE MEMBER.—If we look at the statement on page 3*, the first three items were buildings provided for you on which you spent money for alterations and in six years you have not recovered that money. What will be the position in regard to the £58,000 spent at the terminal at Mascot which, again, is an alteration to a D.C.A. building? Will D.C.A. accept the responsibility for that expenditure at some time in the future, or say that it is not its responsibility?—(Mr. Watt) I think I will let D.C.A. answer that. Perhaps I should correct what I said earlier: We have found the funds for the first item—the Mascot extension—from our own resources and we are hoping that in due course we will be reimbursed." Q. 2042.

159. Your Committee also inquired about the position at Hobart and Adelaide, because we had been told by the operators that they had received from time to time conflicting statements about what the Department intended to do. Mr. Anderson, Deputy Director-General of the Department of Civil Aviation, told us that in Adelaide the Commonwealth proposed to construct a communal passenger terminal. He pointed out that the Commonwealth meets difficulties in constructing terminals itself, because it is committed to employing the one contractor, the Commonwealth Department of Works, and thus cannot exercise the same range of choice as on a private-operator calling for tenders. However, the advantage is that when the building is constructed, there will be a co-ordinated control terminal with annexes for the operators. This applies to the new aerodromes being constructed at both Adelaide and Hobart—

"We are providing that part of the building which is required to handle passengers for all companies, and accommodation for our own activities at the airport will be in the building, including air traffic control and the meteorological people. The other ancillaries which are purely for the purpose of the companies are being constructed by them." Q. 2072-2076.

COMMITTEE MEMBER.—And will be paid for subsequently by the Commonwealth?—(Mr. Anderson) Yes.

COMMITTEE MEMBER.—It is catch-as-catch-can at the moment, obviously?—(Mr. Anderson) I do not think so. I think it is a most practical compromise in the light of the present circumstances."

160. We record, however, that the operators have experienced considerable inconvenience because of the Department's vacillation over the decision whether it or the operators would, at these two aerodromes, provide the passenger facilities. Further, the Department has now two aerodromes the runways of which, we are informed, are fully ready to receive all the aircraft flying to Adelaide and Hobart; but accommodation is inadequate. Your Committee regard this as another example of the lack of careful, realistic and co-ordinated planning by the responsible officers concerned. Delay by the Department of Works in commencing the construction of the terminals cannot be given as the cause of the present unsatisfactory situation because that Department was not given the necessary instructions early enough to proceed.

161. Turning now to the construction of hangars, we found that again the international operators and the domestic operators had different opinions. Mr. Turner told us that Qantas would be willing to bear the cost of building its own hangars. He said that his Company regard the provision of hangars in a light rather different from that in which they regard the provision of passenger terminals. He said—

"We have a very large and valuable fleet of aeroplanes, and, of course, we must have hangars to service them. You must keep your maintenance to standard, otherwise your aeroplanes deteriorate and you lose the capital investment in them, or you lose the value of them and cannot operate them. Just as aeroplanes are essential to running a service, so are hangars and maintenance facilities. We would be willing to provide the major hangars for our own fleet of aircraft. As we pointed out in our statement, the problem we are faced with now is quick provision of facilities in order to allow our major fleet to operate. That will involve us in very considerable capital outlay at a time when there is some restriction of money. But on your point as to ownership, we feel that the buildings that are necessary to maintain the aircraft should be provided by the company." Q. 1880-1882.

COMMITTEE MEMBER.—Again, probably with certain conditions applied by D.C.A. in relation to them?—(Mr. Turner) As to siting, as to the clearances in relation to the aerodromes, as to fitting in with the general scheme of the Department of Civil Aviation, and similar things, yes.

COMMITTEE MEMBER.—What is the practice in other countries?—(Mr. Turner) I think the practice in America is for the large airlines to provide their own facilities for maintenance and overhaul of their aircraft. I am not too clear as to what happens at the London airport, but I think that the two major buildings that are being erected

* See Exhibit No. 22/47, Statement No. 1 "O", submitted by the Australian National Airlines Commission.

now, one by B.O.A.C. and one by B.E.A.—whether the money is actually provided by the Ministry I could not say, but I know that those two buildings were independently designed. They can be said to be separate responsibilities of the corporations.”

162. Qantas Empire Airways stated that they are already planning to spend large sums in building hangars: one of them is to be at Mascot, for the major overhaul of Super Constellations. It will cost about £500,000. Qantas also stated that they had recently completed a number of nose hangars for maintenance work at Mascot and that—

“ . . . An established policy on the ownership of hangar buildings is necessary in order to plan ahead as over the next two or three years we require at least a further two hangar buildings at Mascot similar to the one now being erected in order to adequately handle our fleet of Super Constellations and the aircraft of our partners, B.O.A.C. The outlay of a further sum in excess of £1,000,000 would place a severe burden on the capital of the Company.”

163. Your Committee inquired of Mr. Turner whether the uncertainty in the present policy had delayed or otherwise inconvenienced Qantas. Mr. Turner said—

Q. 1585-1587.

“ We have indicated in our statement the broad problem that we are facing over the next year or so in regard to the provision of hangars. We have quoted a figure, in addition to the £450,000 that we are spending now on an urgently needed hangar, in excess of £1,000,000, which, according to our plans, it is contemplated that we shall require for the erection of buildings in the next two or three years. Therefore, on the broad issue, we shall be involved, under this policy, in outlaying £1,500,000, which is a lot of money at this stage. Our total capital is £6,000,000 now, and it will be £7,000,000 shortly. Of course, we have required all our funds for the purchase of aeroplanes. With a capital of £6,000,000 we have an aircraft fleet and assets worth about £25,000,000. So you cannot say that we are over-capitalized. We are seriously under-capitalized, and we have used all the money we can possibly find for the purchase of essential aircraft. Therefore, the provision of an additional amount of £1,500,000 out of our funds represents quite a problem.

COMMITTEE MEMBER.—Will you be caused any inconvenience when the Government purchases these new buildings?—(Mr. Turner) We can use five more aeroplanes and so improve our fleet. I do not think that we would object very strongly.

COMMITTEE MEMBER.—I notice that you use the R.A.A.F. aerodrome at Darwin and are spending £120,000 on hangars there. Have you any arrangement by which you will recover that amount?—(Mr. Turner) The question of recovery is now under discussion with the departments concerned. We have had correspondence with the Department of Civil Aviation for permission to undertake the work and we will make such an arrangement if possible.”

164. The uncertainty in the policy has, as we have already pointed out, really only existed over the past twelve or eighteen months. For the moment, no operator appears to have been substantially inconvenienced by the position. But unless some clear principles are applied in the present confusion, it can only be expected to become greater, to the growing detriment of the operators. We quote as an example of the kind of thing that may happen, the following interchange:—

Q. 1590-1591.

COMMITTEE MEMBER.—Under the policy by which the Government provides the buildings and charges you a rental, do you find that it conforms to your programme, so far as looking ahead two or three years is concerned? I think you said in your statement, ‘An established policy on the ownership of hangar buildings is necessary in order to plan ahead’. I was wondering how the Government’s policy ties in with your requirements in this regard?—(Mr. Turner) Perhaps I should comment instead of answering that question and illustrate the difficulties that we have been under in relation to the provision of the hangar that we are now erecting. At least three years ago provision was made on the estimates of the Department of Civil Aviation in anticipation of a new fleet coming forward. By reason of the Government’s financial policy in two, or perhaps three, successive years, the money was not provided in the Budget. The Government said: ‘You can go ahead and provide your own hangar’. By that time it was late for our purposes, and the result of that sort of arrangement is that we are two or three years behind in providing hangar facilities.

COMMITTEE MEMBER.—You would agree with Captain Holyman’s comment that the operator suffers undue delay because of the arrangement under which the Government provides the buildings for the operators?—(Mr. Turner) I do not think that it is quite right to say that. What we have said is that you need an established policy to allow our planning to proceed. We are content with the established policy, under which we are allowed to provide those facilities in order to maintain our aeroplanes on that section.

COMMITTEE MEMBER.—Would you think that the policy of providing the money and then having the Government take over the buildings might be more satisfactory in the future than a policy under which the Government establishes the building, at your request, and there is possible delay?—(Mr. Turner) Yes.”

* See Exhibit No. 22/46, page 2.

165. Trans-Australia Airlines say that at present they are suffering under no particular disability as a result of the Department’s decision to cease building hangars for operators (the decision was conveyed to airline operators in February, 1955). However, both Mr. Watt and Mr. Ryland told us that development during the next five years will necessitate the provision of more hangars. Q. 2024-2026.

166. Your Committee asked the Department whether it might not be possible for them to maintain the desired control over passenger terminal and hangar facilities without their actually constructing or acquiring all the buildings on an aerodrome. It was suggested to the Director-General that perhaps suitable provisions might be included in the leases of aerodrome land to operators. We were informed that (see the quotation earlier, at paragraph 144) one of the main reasons why the Department preferred to acquire and construct all buildings was that in time past small operators had erected all kinds of unsuitable structures that subsequently caused the Department embarrassment. We asked the Director-General whether it would not have been possible to include suitable provisions in the relevant leases. He replied—

“ It is easy to draw up regulations of that sort, but in practice it does not work. Those conditions were existent before, but you gentlemen know well that if we refused to let the owner of one aircraft who wanted a chance to make a living with it put up a building because it was what he needed, he would come to you and ask you to make representations to have him allowed to do so. From our point of view, it is much better to have an airport planned and developed with plenty of flexibility and not go on as we have done in the past with the result we see to-day. Q. 1596-1600.

COMMITTEE MEMBER.—Take the person who leased it to a carrying concern, as I think you mentioned?—(Sir Richard Williams) No, it was to another airline operator to house their buses.

COMMITTEE MEMBER.—Surely that could have been prevented under the terms of the lease?—(Sir Richard Williams) It was done before we knew anything about it. The first we knew the buses were there. That sort of thing was not provided for in those early agreements.”

(Committee’s italics.)

167. We were informed that the Department has now removed many of the little buildings to which objection was made. Further, the Department seems to consider that, during the present shortage of funds, it is possible to make agreements that contain the necessary safeguards but still allow operators to erect their own buildings for both passenger terminal and hangar purposes. We therefore fail to understand why it would not be possible for the Department to draw up suitable leases covering the construction of various buildings. There may be other reasons why the Commonwealth should own and construct all buildings on aerodromes; but the inability to draw up suitable leases does not seem to us to be at all a persuasive, let alone a conclusive reason. Also, it seems to be agreed that the issue of leases is a cheaper means of providing the buildings than is departmental construction. What is more, in spite of their declarations to the contrary, the Department now appears to be making leases containing satisfactory provisions—

“ (Sir Richard Williams) The Government now agree to an operator putting up his own building. We have reached the stage where we are not very much troubled with the small fellow. We can handle most of the little fellows. The requisitions for additional accommodation which we get now are mainly from big operators, T.A.A., A.N.A., and Q.E.A., but they can finance buildings of the type we think are necessary to fit in with a considered development plan. Q. 1004-1005.

COMMITTEE MEMBER.—You do not feel that that will upset the policy you recommended, and which the previous Government accepted?—(Sir Richard Williams) No, I do not think so, because we have acquired the little ones and they are available for removal.”

Your Committee recommend that more consideration be given to allowing operators, who so desire, to erect their own buildings, under suitable control and direction by the Department.

168. In reply to Your Committee’s questions regarding the rental arrangements made in leases to persons occupying buildings owned by it, the Department said that the Treasury and the Department of the Interior control them. A rental of 6 per cent. is charged on the building cost, which includes 3 per cent. for depreciation and 3 per cent. for maintenance. The Department informed us that in addition a ground rent of 3d. a square foot is charged. Your Committee were informed that this is a long-standing charge made by the Commonwealth on all its properties. It appears that the 6 per cent. rental meets, on the average, the current costs of service and maintenance. Thus in a memorandum submitted to us, the Department indicated that, in most cases, the average annual maintenance cost is below the rent actually received. Q. 341. Q. 339, 339b. Q. 1548-1551.

Q 1843. 169. Both Qantas and Trans-Australia Airlines informed us that they were relatively happy with the existing rental, and that they would make a similar allowance in their accounts if the buildings were owned by themselves—

Q 2044. "COMMITTEE MEMBER.—Private industry would probably regard a 10 per cent. gross rental as being somewhere nearer a chance of providing for the 5 per cent. (on capital). You would rather not commit yourself on that?—(Mr. Watt) That calculation was made by our Director of Finance, and is correct insofar as it represents our experience of actual out-of-pocket expenses. Whether it is an adequate return as an investment is quite another thing."

(b) THE PROVISION OF RUNWAYS.

170. Your Committee did not investigate technical aspects of the provision of runways such as the proper direction in which they should be laid or the manner in which they are being constructed by the Department of Works for the Department of Civil Aviation. However, we did think it necessary to examine the way in which the Department is providing runways for the development of civil aviation in Australia, especially in the light of the large sums that are being spent on them and the pressure that is always being exerted on the Department to construct or improve them.

171. We were informed by the Director-General that the Department has adopted different standards to which the work must conform, according to the aerodrome in question. In the major airports servicing capital cities, the Department has adopted standards that are basically those laid down by the International Civil Aviation Organization for international airports. Therefore, in the capital cities the Department's objective is to make aerodromes comparable with those overseas, and capable of receiving all aircraft used by overseas operators.

172. In country areas, the Department has been working to what was described to us as a "D.C.3 datum". In the first place, a grassed aerodrome will be made more suitable for D.C.3 operations by constructing gravel runways that enable operations to continue in conditions of moderate wet. As funds are available, and in the order dictated by the needs of the aerodromes in question, the Department proceeds to seal the runways. We were informed that the priority for sealed runways is determined in the light of the air traffic making use of the aerodrome and of the weather and other conditions experienced at it.

173. Your Committee inquired as to the cost of laying down a runway at an aerodrome. It is difficult to make any general estimate, but it seems that £100,000 is normally sufficient to seal an already gravelled runway for use by D.C.3 type aircraft. We understand that the cost of laying down sealed runways suitable for D.C.3 type aircraft on unprepared aerodromes would be of the order of £1,000,000.

174. The Department stated that the enormous developments in aircraft construction that have taken place over the past 25 years have made more exacting the requirements with which a runway must comply. Among them are the increased wheel-loading of modern aircraft and the greater distance needed by aircraft to take off and land safely. The Chairman of the Australian National Airlines Commission submitted an interesting statement to us on this subject. It indicates clearly how the wheel-load factor has altered since 1930—

"The progressive need for runways of costly construction over the last 20 years is illustrated by the increase in wheel loading of the aircraft in general use from year to year, a factor which governs the solidity of surface construction and its cost.

Type.	Period.	Gross Weight.	Wheel Load. Runway Factor.
		lb.	lb.
Avro X	1930	10-12,000	5,000
D.H. 86	1935	10-12,000	5,000
Lockheed 14 .. .	1933	13,500	6,300
D.C.3	1934	18,000	8,000
D.C.3	1937	26,200	11,800
D.C.4	1942	73,000	25,600
D.C.6	Post-War	95,200-107,000	33,350-37,500
Convair 240 .. .	Post-War	41,790	14,600
Viscount	Post-War	62,000	22,000."

* See Exhibit No. 23/47, Statement No. 1 "A", page 2, paragraph 9.

175. We were interested to learn from the Director-General of Civil Aviation that the pattern of aircraft development is now changing. In the past, those controlling civil aviation facilities had to extend or alter the facilities when a manufacturer produced a new aircraft. Nowadays the trend is for those providing the facilities to lay down the terms upon which aircraft may use them. If they are inadequate for use by certain types of aircraft, then the operators will have to accept that situation—

"COMMITTEE MEMBER.—If you take over an aerodrome to meet the needs of the people and then you approve of the importation of new types of aircraft, what is the effect of that going to be in relation to the installation of sufficiently strong landing strips?—(Sir Richard Williams) We have had enough experience in aviation to know that we cannot see very far ahead, but we do try to look ahead as far as we reasonably can, in the light of the funds available. Take, first of all, the case of country aerodromes, where we use D.C.3 operations as the yard stick. We would put in a runway there to take aircraft a good deal heavier than the D.C.3. At the present time, we would certainly put in a runway to take aircraft with the loading of a Viscount, for instance, because Viscounts are already in the country.

COMMITTEE MEMBER.—In respect of the smaller places, where only one or two planes land during the day, what is going to be your position in meeting the development of these aerodromes?—(Sir Richard Williams) We hope that as time goes on all these aerodromes with the dimensions for D.C.3 operations at the present time will be developed so that they will all have runways which will make them all-weather aerodromes and also capable of operation 24 hours a day. That is the ultimate aim in establishing one aerodrome anywhere. As I say, in putting in runways now, we would put in something to take a heavier weight than the D.C.3. There is a document here dealing with this matter. This question has been considered and is the concern of every aeronautical authority in the world. *Up to now, designers and manufacturers have had more or less a free hand and have been able to please themselves what they produce. They say, 'We can produce an aircraft which is far more economical. It can do a wonderful speed, and all sorts of things, and it requires a longer runway'. So soon as we establish an aerodrome, some one builds on the fence. Whilst in the early days an aerodrome was just an open paddock and there was not much difficulty in extending, to-day, when we have approach lighting, runway lighting and that sort of thing, extension, especially when people build all round the place, becomes a very expensive thing. The general idea of aeronautical authorities throughout the world, as expressed at the International Civil Aviation Organization meetings, is that we must take the attitude that there are the airports and we are not prepared to go on extending indefinitely. In other words, we say to the aircraft designer the same sort of thing as is said to a designer of ships: 'If you want to operate into that port, there are the restrictions.'*"

(Committee's italics)

176. Your Committee inquired of the four operators consulted by us whether they were satisfied with the runways provided by the Department. The international operator, Qantas Empire Airways, stated that runway and taxiway systems at the airports they use in Australia are adequate to cater for their Super Constellation aircraft, and concluded that—

"Though not as rapid as we would sometimes like, the rate of development of runways at the airports [we use in Australia] has been comparable with the development of runways overseas."

When being examined by Your Committee, Mr. Turner said that the implication to be drawn from this statement was not that Qantas Empire Airways would use other aerodromes if they were provided: all the aerodromes they need at present for their overseas services are usable.

177. We understand from Trans-Australia Airlines that they in general are satisfied with the way in which the Department is extending its runway facilities. They stated that—

"As a matter of policy, T.A.A. has selected aircraft which can operate on the general standard of facilities available. T.A.A. accepts the occasional situation where some restriction on payload may be suffered, rather than to select an aircraft type which will not be restricted at any airport, but would overall be less economic.

The Department of Civil Aviation has rendered great service in its progressive provision of runways which are in the main technically up to world standard. The Department's work has been a very real factor in the rapid growth of safe and economical air transport in Australia and made possible the employment of fast, efficient airliners with few aerodrome restrictions on payload."

178. Mr. Ryland told us that, where Trans-Australia Airlines are operating developmental services, they experience problems of a nature similar to those experienced by Mr. Butler, because the aerodromes are not open in all weather. It was unfortunate that Mr. Butler was unable to be with us on the day on which we examined representatives of airline operators. We

* See Exhibit No. 23/47, Statement No. 1 "A", paragraphs 6 and 11.

received an apology from him, and certain of our Members were deputed to speak to him about the matters raised at the hearing on 21st October. This they did. We consider that the following examination of Messrs. Watt and Ryland states the position very fairly:—

Q^a, 2016-2020.

"COMMITTEE MEMBER.—There are one or two matters on which I think we should appreciate your comments. Mr. Butler has raised the question of priorities in relation to airport development. He has suggested that first priority should be accorded to providing all-weather runways at a few strategically placed aerodromes. Would you like to comment on that?—(Mr. Watt) I should imagine that that would be a question that the Department of Civil Aviation could answer, rather than us, as operators. I should say that whenever T.A.A. has submitted its requirements to the Department of Civil Aviation, the Department has given full consideration to them and has consulted with us. I imagine that that suggestion by Mr. Butler also has received full consideration.

COMMITTEE MEMBER.—I think he is concerned about the delays that occur, or about the necessity to cancel services fairly frequently in some areas owing to a lack of all-weather landing facilities. I am wondering whether you have struck any serious difficulties in that way?—(Mr. Ryland) There are areas in which we suffer a similar disability. Those are areas in which there are no paved runways but, in the main, those areas are of such a kind that you must accept that kind of problem in operating services to them. The traffic that is carried on a particular route may not warrant the provision of an all-weather aerodrome. It becomes, I think, largely a matter of balance—a matter of assessing the importance of the area and what should be provided in it.

COMMITTEE MEMBER.—Mr. Butler has also raised the question of sealing strips rather than providing passenger facilities at some aerodromes. I assume he has the smaller airports in mind?—(Mr. Ryland) I suppose the basic requirement is a satisfactory aerodrome. It is of little use to have a poor aerodrome with a very good passenger terminal.

COMMITTEE MEMBER.—Once again, it is a question of getting things into balance again?—(Mr. Ryland) That is so.

COMMITTEE MEMBER.—As soon as the Department of Civil Aviation takes over an aerodrome, the tendency is for demands to be made for improvements, either the sealing of the strip or the building of a terminal or hangars. Then the problem is just how much money is available for those purposes. Do you people find that you are handicapped in any way by the absence of those facilities on the routes on which you are operating?—(Mr. Ryland) In general I would say no, but, of course, there must always be instances where we could ask for certain facilities to be provided which are not able to be provided. But I would say, in the main, that we are not embarrassed or limited by lack of provision of facilities."

179. Captain Holyman made no comment upon the runways provided by the Department in the memorandum he submitted to Your Committee. We have not considered it necessary to call him before us to elaborate further his views on the matters raised by us with him.

180. Given the limitation of funds, the evidence of a number of people with different attitudes and different interests points to the conclusion that the Department is providing runways with reasonable speed and due regard to the various projects requiring attention. Your Committee, however, are doubtful whether those constructing runways are making the best use of the funds available. Our doubts are reinforced by the evidence we received about the acquisition and construction of aerodromes. (see Chapters IV. and V.).

(c) FIRE SERVICES AT AERODROMES.

181. Your Committee requested the Department to submit a statement about the cost and operation of its fire services.

182. The Department stated that one of the important characteristics of an aircraft or fuel fire is "its tendency to reach lethal intensity within a very short time after outbreak".* The statement continued—

"For this reason the International Civil Aviation Organization has indicated that it is essential that administrative control of fire-fighting and rescue work at airports be vested in airport management. The Department has adopted such a policy and has provided men and equipment for the protection of life and property at all its busier aerodromes. The Department does not accept legal responsibility for fighting aircraft fires and rescuing occupants of crashed aircraft, but having equipment and trained personnel available, the fire service naturally does all it can to help, and should a crash occur within the range of help of a fire unit the saving of life would become the most urgent duty of the fire crew."

* See Exhibit No. 23/25.

183. The Department informed us that although it is difficult to determine the precise cost of the fire service because much of the major plant was acquired from the Services, the value of the capital assets in the way of tenders, ambulances, tankers, trailers, pumps and general equipment amounts to approximately £200,000. Annual expenditure is running at approximately the rate set out below—

"Salaries bill	£	300,350
Cost of maintenance of vehicles .. .. .	.. .. .	27,000
Cost of consumable materials, e.g. foam, hoses, &c. .. .. .	.. .. .	19,000
Depreciation .. .. .	.. .. .	20,000
Total cost .. .. .	.. .. .	266,350

184. Much of the equipment now in use is obsolete and the Department is seeking replacements. Originally, the Department proposed to purchase equipment overseas, and had received Ministerial and Parliamentary approval to expend £140,000 in 1954-55 for the provision of new fire-fighting equipment. However, it then transpired that the Department of Air was seeking similar equipment for its own programme and the Minister for Air directed the Department of Civil Aviation to consult with the Departments of Air and Supply. The Director-General said—

"We have found that those two departments require similar equipment. The larger requirement would make a difference to the tender price, and the whole thing is now being passed through the Department of Supply, by Ministerial approval. In the meantime, £140,000 which is available is not spent."

185. Although it is true that the delay that occurred is going to result in a more advantageous purchase, Your Committee regard it as regrettable. It would have been better for consultation to have taken place earlier, or for the entry on the Estimates to have been withheld until it had been decided where the equipment was to be purchased and until it was known when it would be delivered. It seems that, since the financial year 1955-56 is now nearly completed, and the amount voted has not yet been spent, the entry on the 1954-55 Estimates was, to say the least, premature.*

186. The Department submitted an explanatory document to us in August, 1955, in which, when commenting upon expenditure on fire equipment, the funds position was described in this way†—

"Orders are in process of being placed for fire tenders to the value of £140,000. Approval is also being sought for a further expenditure of £120,000 in 1955-56." Your Committee regard this position as unsatisfactory. Bearing in mind past performance, we doubt whether the two appropriations can be spent during the present financial year.‡

187. The Department has endeavoured to keep running costs on its fire services to a minimum. Thus its policy has been to provide a fire tender only at airports receiving six or more scheduled movements each day of airline aircraft of D.C.3 or larger size. At other aerodromes, the Department provides a fire trailer, on which 35 gallons of foam extinguisher and 200 lb. of CO₂ are carried.

188. The Department stated that fire tenders and fire trailers are provided through the Commonwealth on Commonwealth owned aerodromes as follows:—

Aerodromes provided with Fire Tenders manned by full-time firecrew supplemented by auxiliary firemen	17
Aerodromes provided with Fire Tenders manned by auxiliary firemen	21
Aerodromes provided with Fire Trailers manned by auxiliary firemen	111

The seventeen aerodromes manned with fire tenders and full-time firecrew include the capital city airports and other major aerodromes throughout the Commonwealth.

189. Further to reduce the cost of operating the fire service, the Department makes extensive use of voluntary personnel—

"The policy adopted has been to man fire-fighting vehicles with the minimum number of full-time firemen necessary to drive the vehicles to the scene of the fire and bring the appliances into action. Auxiliary firemen drawn from other departmental personnel on the airport, and from airline company and oil company employees follow the fire tenders and supplement the efforts of the firecrew. At present there are 800 auxiliary firemen enrolled. They are trained in the use and operation of fire-fighting apparatus and paid an allowance of £18 per year. To qualify for payment of this

* The funds are made available under Division No. 15 of the Capital Works and Services Estimates, Item 2—"Aircraft, launches, vehicles, machines and equipment."
 † See Exhibit No. 23/25, paragraph 4.
 ‡ The Department has subsequently advised us (April, 1956) that the first deliveries are expected at the end of 1956, although it is possible that progress payments may be made before then.

allowance, an auxiliary fireman must undergo training to a standard set by the Department and once certified as trained, must attend a specific number of drills and exercises during the year. Failure to attend drills results in a reduction in the allowance paid or ultimately in removal from the auxiliary fireman roll.²⁸

190. The Department indicated that they considered that all reasonable precautions were being taken against the ever-present risk of fire at airports. Your Committee are satisfied that this is so. Questioned regarding the annual expenditure on fire-fighting facilities of a little over £250,000, when taking into account its overall expenditure, the Department said that they did not consider the expenditure too great. They cited the value of equipment at the major airports—

"At Melbourne airport on any day of the week aircraft to the value of £3,500,000 may be seen standing in the vicinity of hangars. In addition, there are buildings, stores, plant and equipment to the value of at least £7,000,000. (The figures would be higher in the case of Sydney). The nearest metropolitan fire station to Melbourne airport is at Essendon, 1½ miles away, and the plant and equipment available is not particularly suitable for fighting highly volatile fuel and oil fires. Furthermore, this civil brigade may not be immediately available to attend a fire on the aerodrome."²⁹

191. Your Committee asked the Department whether its disclaimer of legal responsibility would in fact be upheld. We suggested that circumstances could arise in which it could be shown that, because of some inefficiency in the fire-fighting service provided by the Department and the reliance of operators upon it, extensive damage had been caused. The Director-General informed us that—

"We are in no way responsible legally for the protection of the aircraft of an operating company. We carry some responsibility to the travelling public for the airworthiness of the aircraft they operate, but if they set alight to them that is not our responsibility.

COMMITTEE MEMBER.—Supposing they were set alight by a fire that was on the aerodrome when they came in, a grass fire or something like that? What would your position be then?—(Sir Richard Williams) To the extent that we were responsible for the grass fire, there may be some point in that. The point I am trying to make in that statement is that we have no legal responsibility for a fire in an aircraft owned by an operating company any more than we are responsible for a fire that occurs in their workshop or anything of that sort. However, we do have on our aerodromes a fire-fighting organization of some sort, if only for the protection of our own assets, buildings which the Commonwealth owns and which are let to the operating companies, and buildings which we occupy for our own activities. To the extent that we can do so within the funds available to us we try to equip, train and maintain fire-fighting organizations so that they can assist any occupant of the airport whether it be a tenant or otherwise in any case of fire, because we do not know where any particular fire might extend. And, of course, so far as aircraft fires are concerned, we feel that, as ordinary human beings, we should do all we can to save lives.³⁰

192. Your Committee inquired of the Australian National Airlines Commission whether they regarded the Department as being under any legal responsibility for damage caused by fire to aircraft using an aerodrome provided by the Commonwealth. The Commission stated that "the provision by the Department of Civil Aviation of fire services at airports owned by it is in accordance with the policy laid down by the International Civil Aviation Organization". The relevant International Civil Aviation Organization statement of policy reads—

"The responsibility for ensuring the provision of crash fire-fighting and rescue facilities at aerodromes should rest primarily upon aerodrome management."

193. We pursued this matter with Mr. Watt, Chairman of the Australian National Airlines Commission, who said that they had not given any close consideration to the question of legal liability—

COMMITTEE MEMBER.—Let us suppose that a crash occurred and that, for some reason or other, the aerodrome fire services failed to operate. In those circumstances, would you have any claim against the Department for the failure of the fire services to render assistance?—(Mr. Watt) I assume you refer to a legal claim. Our claim would be against the underwriters. Our aircraft are covered by insurance.

COMMITTEE MEMBER.—Do you think any legal responsibility rests on the Department of Civil Aviation to provide assistance? You rely on that assistance. If, for some reason, it were not given, do you think you could hold the Department legally responsible for the failure of its fire services?—(Mr. Watt) We have not given any special thought to the legal position. My own feeling is that as the Director-General of Civil Aviation has accepted that responsibility, he would be answerable. However, we should not raise the question of legal liability.

²⁸ See Exhibit No. 23/25, paragraphs 4 and 8 respectively.
²⁹ See Exhibit No. 23/47, Statement 1 "B", paragraph 1.

COMMITTEE MEMBER.—In such a case, you would rely on your own insurance?—(Mr. Watt) Yes. Financially we are fully covered.

COMMITTEE MEMBER.—I suppose that is the general opinion of all operators?—(Mr. Watt) I think so.³¹

It seems that the Commonwealth would not be liable at law to the airline operators for the failure of its fire services to operate efficiently. But we raise the question whether insurance companies might not have some claim against the Commonwealth. As the amounts at stake are so large, we consider it advisable that the legal position be clarified.

194. Your Committee, when approaching the operators for their views on the facilities provided by the Department of Civil Aviation, asked them specifically whether they regarded the fire services provided by the Department as satisfactory. We received the following reply from Qantas Empire Airways³²—

"The provision of fire services both for crash fire fighting and for handling any local fires on aerodromes is a highly technical subject, and has been the subject of investigation by most countries of the world operating major airports and, also, by the world's leading airlines. Qantas has made an intensive investigation of the subject over the last four or five years and we believe that the fire services at present provided at the airports in Australia are generally comparable in standards to those provided at most overseas aerodromes through which the Company operates."

Mr. Turner said that when the new equipment being ordered by the Department was in use, the fire service would probably be in advance of that provided in many places overseas. Q. 1947.

195. Mr. Watt indicated that he agreed with the views expressed by Mr. Turner. Both Captain Holyman and Mr. Butler indicated to Your Committee in their statements that it is their view that, considering all the circumstances, the fire services provided by the Department are satisfactory. Q. 2065.

196. Your Committee questioned the Department about whether it would be possible for them to claim some rebate from insurance companies on the same basis as some Municipal Fire Authorities receive payments from them. We were told that no payments were made to the Department by the Insurance Companies: the Director-General said that the matter had been thought of at one time, but no direct way of making an approach had been found. We were also informed that aircraft companies themselves make no contribution to the cost of fire-fighting services, except through payment of Air Navigation Charges³³ (that contain no specific amount for fire services) and through making members of their staff available to undergo firecrew training and to serve as auxiliary firecrew. Q. 1218-1242. Q. 1243.

197. Your Committee have received no evidence suggesting that the management and operation of the fire service are other than efficient. Nor did we receive any confirmation whatever of allegations that have been made publicly about the fire services. If anything, we consider that the facilities provided are on the generous side. In the case of country centres, however, they do not comply with the full standards of service recommended by the International Civil Aviation Organization. Where the lives of passengers and crew are so much at stake we can hardly be critical of the bias we have found for a policy aiming at the fullest protection from this sudden and unpredictable hazard.

CHAPTER VII.—THE AIRWAYS SYSTEM PROVIDED BY THE DEPARTMENT.

(a) THE COST OF THE AIRWAYS SYSTEM.

198. In addition to aerodromes and allied facilities, which we discuss in Chapters IV, V, and VI, the Department provides a large amount of expensive equipment that goes to make up what is termed the "airways system". The Department stated that an airways system is the—

"integration of man-power and electronic devices into an organization designed to permit and foster safe, regular and efficient transit of transport aircraft. The system must permit transit of aircraft between international airports and hence along the airways of different countries. In all countries of any significance in the aviation sphere, the airways system is provided, operated and maintained by the Government and in so-called under-developed countries the International Civil Aviation Organization is providing technical assistance to help government administrations set up airways systems on the pattern of those proved elsewhere."³⁴

³¹ See Exhibit No. 23/45, page 2.
³² Air Navigation Charges are discussed in Chapter VIII. See especially paragraphs 218 and 240.
³³ See Exhibit No. 23/15, paragraph 1 (a).

199. The annual cost of installing and maintaining the equipment making up the airways system constitutes a large proportion of the total vote for the Department of Civil Aviation. The figures in the following table are an extract from Estimates of Revenue and Expenditure, Division No. 71, Item 2—"Air Route and Airway Facilities"—and from the Capital Works and Services Estimates, Division No. 15, Item 1—"Airway services, including power and lighting, plant and equipment"—

Year.	Airway services, including power and lighting, plant and equipment (Capital Works: Division No. 15).		Air route and airway facilities (Estimates of Expenditure: Division No. 71)	
	Vote.	Expenditure.	Vote.	Expenditure.
	£'000.	£'000.	£'000.	£'000.
1946-47	518	179	(a) 87	85
1950-51	1,750	772	247	262
1953-54	1,700	1,643	1,432	1,359
1954-55	1,650	1,100	1,425	1,351
1955-56	1,000	..	1,470	..

(a) Division 63, Items 2 and 11.

200. Your Committee draw attention in passing to the unsatisfactory nature of the title of the Capital Works and Services Item. It should be possible to find a more informative title. It should indicate that the expenditure is primarily for electronic equipment used as part of the radio navigation system, and could be similar in its terms to the heading for the Revenue and Expenditure Estimates.

201. Your Committee observe that while the Estimates are satisfactory as far as expenditure on the operational and maintenance costs of the air routes and airways facilities is concerned, the estimates for expenditure on the capital services involved are as inaccurate as other estimates of this Department with which we have had occasion to deal.* We note that the estimate for 1955-56 has been reduced substantially and expect expenditure this year to be closer to the estimate.

202. We appreciate that there are always substantial difficulties involved in estimating for capital works, but that is merely a challenge to the administration. Expenditure under Division No. 15, Item 1 is almost wholly under the control of the Department of Civil Aviation. There is, accordingly, no complication that arises because the functions are shared between this Department and the Departments of Works or Interior: the Department alone is responsible for the accuracy of estimates under this head.

203. During the hearings, the Director-General of Civil Aviation informed us that in order to make full use of the navigation facilities installed by the Department, it is necessary for the operators to install complementary equipment in their aeroplanes. The Australian National Airlines Commission submitted an interesting statement to us on this subject.† It indicated inter alia the increase in the number and quality of air navigation facilities provided by the Department for the use of operators on its air routes over the past 30 years. The history of the provision of aids on Australian airways can be summarized as follows:—

1937-38 ..	Simple radio direction finding and appropriate communication services.
1938 ..	Radio track guides (Lorenz type 33 MC range).
1940 ..	Air Traffic Control services.
1942 ..	Radio beacons for homing purposes.
1946 ..	Control zones for air traffic.
1948 ..	VAR Radio track guides commenced to supersede Lorenz 33 MC ranges.
1949 ..	VHF communication.
1953 ..	Runway approach locator systems (Localizer), and Distance Measuring Equipment.
1955 ..	D.M.E. & I.L.S. or runway locators.

As auxiliaries to the above, limited radar surveillance of areas adjacent to airfields has been available for a few years past and runway lighting of a type considerably in advance of the pre-war systems still in general use is being introduced with runway locator systems.‡

* See Chapter IV, especially Section (c); Chapter V, especially section (e) and Chapter XI, especially Sections (e) and (f).
 † See Exhibit No. 23/47.
 ‡ See Exhibit No. 23/47, Statement 1 "D", page 2, paragraph 5.

204. We inquired of Mr. Watt and Mr. Ryland what an operator would have to spend installing equipment in aircraft so as to enable full use of the facilities provided by the Department. We were informed that the full range of equipment is not usually installed in aircraft smaller than a D.C.4 and were given some interesting estimates of installation cost for that type of aircraft. Thus it costs at present £13,000 fully to equip a D.C.4 aircraft—

Equipment.	At time of installation.	Present Cost.
	£	£
2 H/F Transmitters	1,000	2 H/F Transmitters/Receivers 2,900
2 H/F Receivers	470	.. .. . 900
1 VHF Transmitter/Receiver	1,000	.. .. . 2,600
2 Radio Compass Receivers	150	.. .. . 350
1 V.A.R. Receiver	60	.. .. . 230
1 Marker Receiver	1,200	.. .. . 1,400
1 D.M.E. Interrogator/Responder	570	.. .. . 800
1 Inter-com. Unit .. .. .	..	.. .. . 100
	..	.. .. . 350
	4,530	10,030
Installation	1,000	3,000
	5,530	13,030

205. The table makes it clear why the installation of new aids is now a matter of considerable expense. Operators have until recently been able to obtain most of their equipment from war disposals stocks at much less cost than would be necessary were they commencing operations to-day. The amount of £13,000 or upwards does, even with the high cost of modern aircraft, add considerably to their initial cost. Moreover, we were told by Captain Allan that much of the cost would be in the maintenance of the equipment, and that would last throughout the life of the aircraft. On the larger aircraft, such as those flown by Qantas Empire Airways on their international services, it seems that the weight and space involved in the equipment would not involve an appreciable loss in pay-load. Captain Allan told us that "in a large aeroplane the weight would be negligible. The difficulty would be to find space for the box. The front end of the aircraft is already full of boxes".

206. Mr Ryland, talking about the same problem, said—

"Space availability varies with the type of aircraft used. In a very large aircraft, your problems are much reduced, but in a small aircraft they are accentuated. I cannot answer the question specifically, except to say that this has not caused us a great deal of trouble. The weight aspect, of course, is important. Each piece of equipment that you put into an aircraft weighs X lb. You carry that X lb. with you day in and day out, and your revenue-producing pay-load is reduced accordingly. That is a factor which we would take into account when putting such equipment as this, or other equipment, in our aircraft, as well as the capital costs and the yearly maintenance cost of the equipment. So there are three factors, capital cost, yearly maintenance cost, and weight."

207. As against these additional capital and maintenance costs and the loss in pay-load, the operators are likely to be saved considerable expense from the resulting improved accuracy of course-setting and the diminished holding of aircraft "in the stack" over airports when flying conditions are bad. The modern aircraft costs a surprising amount even if only held over an airport while making one additional circuit: Captain Allan told us that for one of their large aircraft, an extra circuit would cost about £50.

(b) THE ADEQUACY OF THE AIRWAYS SYSTEM.

208. Your Committee inquired not only of representatives of the Department, but also of the airline operators, the Australian Air Pilots' Association and the Department of Air whether or not the air navigation facilities provided by the Department are adequate and of a standard comparable to those provided overseas.

209. Although we gave all those concerned every opportunity to criticize the equipment installed and to recommend alternative equipment (with reasonable reservations as to cost), no suggestions that amounted to asking for major changes were made. Small improvements here and there are all that were suggested.

210. One of the matters to which we devoted some attention was the provision of Distance Measuring Equipment (D.M.E.). It seems that it has been decided by the countries represented in the International Civil Aviation Organization that equipment operating on the 1,000 megacycle band should be used for international aviation purposes. The Australian Department of Civil Aviation had been developing, and is now actually installing, equipment operating on a 200 megacycle band. We inquired whether it was likely that substantial additional expenditure would be involved in the near future in order to make the Australian equipment suitable for overseas operators.

Qs. 1986-1990.

211. We were informed by Captain Allan that if the present Australian equipment continues to be used, Qantas Empire Airways will have to install both types of equipment on its aircraft. Sooner or later the 200 megacycle equipment operating in Australia will have to be replaced or duplicated by 1,000 megacycle equipment, at least at international airports and along internationally used airways. Your Committee were informed that the D.M.E. box for an aeroplane costs about £1,400 and that the overseas 1,000 megacycle box would cost about the same. The cost of installing a 200 megacycle D.M.E. beacon ranges from £15,000 to £20,000. We note that at present the 1,000 megacycle equipment has not been installed overseas and that other countries than Australia have indicated that they are not altogether satisfied with the operation of the 1,000 megacycle equipment. Thus the future is not clear: meanwhile, Australian operators have the benefit of an actually functioning D.M.E. system.

212. All those appearing before us expressed similar views about the value of D.M.E. facilities, and we quote as typical the following comments by members of the Australian Air Pilots' Association:—

Qs. 2109-2112.

"We work in very close liaison with the Department. We do not generally air our disputes with the Department in places such as this. We have a Committee, an operations group, in Melbourne which devotes itself entirely to operational matters of this nature—the planning of the use of new aids and the evaluation of the aids that we have at present. We have committees in each State, which are perhaps more closely connected with their State problems. They channel their information into our head-quarters. We meet the Department and we discuss these things with the Department. I would suggest that the departmental programme on D.M.E. is largely based on the Australian Air Pilots' evaluation of that aid.

COMMITTEE MEMBER.—Do you gentlemen consider that the aids on which money has been spent have proved their value?—(Mr. James) Very definitely.

COMMITTEE MEMBER.—There is nothing on which money has been spent which you think is not of benefit?—(Mr. Mellor) I think the safety record in this country adequately answers that question.

COMMITTEE MEMBER.—From the point of view of the avoidance of dislocation of air services through bad weather, would you say that, from your experience, the introduction of these navigational aids has been of great benefit to the operating companies in many instances by enabling them to maintain schedules?—(Mr. Mellor) Undoubtedly."

213. One navigational aid that has caused much interest both in Australia and overseas is that known as Ground Control Approach (G.C.A.). By this aid, aeroplanes are "talked down" onto an aerodrome even when visibility is zero. Some European airports have now installed it. We questioned whether the Department had acted imprudently by installing an Instrument Landing System (I.L.S.) on its airports because it might shortly find itself in a position where it would have to install a G.C.A. system at very high additional cost.

214. Your Committee were informed by the Department that it did not consider conditions in Australia warranted the installation of equipment such as the G.C.A., which is extremely expensive (costing something of the order of \$500,000 for each unit) and which under Australian flying conditions would not be used very often. The I.L.S. units were installed, after much investigation, as a system suitable to Australian conditions and at far less cost than would be involved in installing the G.C.A. system at major airports (13 I.L.S. units are estimated to cost £377,000, one G.C.A. unit £250,000).*

Q. 2211.

Qs. 2214, 2231.

215. Group Captain Eaton, who appeared before us as a representative of the Department of Air, informed us that he considered that for ordinary civil aviation the I.L.S. system is adequate and that the R.A.A.F.'s main use of G.C.A. is for jet aircraft.

216. Your Committee also inquired whether the airways system being installed by the Department of Civil Aviation, a system whose value as a defence asset has been widely vaunted, would be useful to the R.A.A.F. in times of national emergency. We were informed that it would be of substantial assistance and that the R.A.A.F. does at present use the system for its

* See Exhibit No. 29/15, page 6, paragraph 7 (b) (i).

own flying purposes. We understand that virtually the only navigational equipment used by the R.A.A.F. that is not provided by the Department of Civil Aviation are the G.C.A. units. It seems that in time of war the facilities could readily be taken over—

Qs. 2218-2221.

"COMMITTEE MEMBER.—In the event of war, do you think that the system would be suitable for defence purposes? If not, how do you think it could be made suitable?—(Group Captain Eaton) That is a big subject with many angles to it. In wartime we might have to impose radio silence, which would reduce some of our potential, but in our geographical position we could still use probably 90 per cent. of civil equipment." The Department of Air informed us that, for operations of their aircraft along the civil air routes, the airways system provided by the Department of Civil Aviation gives satisfactory service.

Q. 2228.

Q. 2238.

217. We understand that in the past there has been considerable criticism of the air-ground communication facilities provided by the Department. Long delays used to occur, e.g., between a pilot's request for altered instructions and his receipt of approval of the alteration or of other instructions. We consequently asked the representatives of the Air Pilots' Association whether they were still experiencing this delay. We were told that, with the installation of new equipment, the delays are in the process of being overcome. Recently, delays of up to 20 minutes had apparently occurred in obtaining altered instructions; but we were assured that henceforth the delays would rarely be longer than four minutes. Mr. Anderson, Deputy Director-General of the Department of Civil Aviation, said that—

Q. 2159-2169.

Q. 2161.

"I would emphatically dispute that there are delays in the transmission of messages of this sort, except perhaps in an emergency situation. There are certain definite times laid down in which messages must be passed, and they have been considerably reduced in recent years by the introduction throughout the Commonwealth at considerable cost of a Very High Frequency communication system, which has involved putting transmissions on Mount Barrow in Tasmania and on Macedon in Melbourne, and in various other places in the Commonwealth, so that over most of the controlled air routes of the Commonwealth there is a VHF communication system, which is as good a communication system as you can get.

Q. 2187.

We are also re-arranging our communication system, as equipment and finance become available, to enable pilots to speak directly to controllers, wherever possible, so that there will not be any intermediate links. We were the first civil aviation authority in the world to do that. The Americans came out here, saw what we were doing and went home and introduced it first in Washington and then extended it over most of the continental United States. I would say that without a shadow of doubt the delay factor in our aeronautical communications system will stand comparison with that in any other aeronautical communications system in the world. There may be cases when delays occur, through bad weather or pressure of traffic, but I would say that they are the exception rather than the rule."

218. In the memorandum submitted by him to Your Committee, Mr. Butler indicated that he regarded the navigational aids provided by the Department as "excellent but not as widespread as could be desired".

219. Your Committee report that, in spite of our invitation to persons whom we considered might give representative and informed criticism of the air navigation facilities provided by the Department, we received no generally adverse criticism of them. Our own independent investigation of the Department has led us to the same conclusion; the air navigation facilities constituting the airways system provided by the Department are as good as is possible, given the shortage of funds and equipment; and the system compares favorably with any operating in other countries.

(c) THE METEOROLOGICAL SERVICE.

220. The Bureau of Meteorology, formerly, a Division of the Department of the Interior, was established by Act in May, 1955,* and provides meteorological services throughout the Commonwealth for the Department of Civil Aviation and other bodies. The Department of Civil Aviation uses the information for flight-planning and for keeping operators of aircraft in the air advised of weather conditions and changes. But there are many others who avail themselves of the services of the Bureau. For instance, the Department stated that one purveyor of the forecasts may use them—

"to advise wine-growers on the Murray that frost is imminent, another to give shipping in Bass Strait a gale warning, another to advise chocolate manufacturers that the ensuing week will be propitious for the sale of their produce. Others will use it in the daily weather broadcasts and still others to provide forecasts for R.A.A.F., R.A.N. or civil aircraft."

* Act No. 6 of 1955. See Exhibit No. 29/14, paragraph 2.

221. Up to 1955 the Department had made payments for meteorology services to the Meteorology Division of the Department of the Interior. Before 1952 there had been no agreed basis of reimbursement, "with the result that charges levied varied from year to year". In 1952 it was agreed that the Department of Civil Aviation would pay to the Department of the Interior 35 per cent. of the total annual salary bill of its Meteorology Division and 28 per cent. of its general expenses. The amounts involved in this transfer are considerable and have increased steadily from £283,000 for 1950-51 to £345,000 for 1954-55. The following table shows the total annual contribution made by the Department of Civil Aviation to the Department of the Interior, the division between the amounts paid for salaries and general expenses, and the percentage of each of those amounts that is in fact contributed by the Department:—

Year Ending 30th June.	Salaries.			General Expenses.			Total Department of Civil Aviation Payments.
	Total.	Department of Civil Aviation Contributions.	Percentage (Agreed Basis : 35 per cent.)	Total.	Department of Civil Aviation Contributions.	Percentage (Agreed Basis : 28 per cent.)	
1952 ..	567,689	220,000	38.7	317,968	85,000	26.2	313,000
1953 ..	626,490	264,000	42.1	329,007	100,000	30.4	364,000
1954 ..	607,051	211,000	34.8	361,420	97,000	26.8	308,000
1955 ..	645,440	224,250	34.7	405,139	122,000	30.1	346,000

222. Your Committee note that although the agreed basis of payment is 35 per cent. of salaries and 28 per cent. of general expenses, the actual proportion of annual expenditure contributed by the Department of Civil Aviation varies considerably from the agreed proportion. The Department stated that the present basis of contribution might undergo further changes commencing in the financial year 1956-57, following negotiations that are at present being conducted with the Bureau of Meteorology. The legislation setting up the Bureau of Meteorology* provides that detailed arrangements may be made between the Director-General and the Director of Meteorology. Detailed working arrangements are now being drawn up—

"... these arrangements will specify the precise order of meteorological facilities and services which the Department of Civil Aviation requires the Bureau of Meteorology to provide and will establish for each item the basis on which it may be costed. Henceforth any variation or addition to the scale of services and facilities provided may be reflected in that working arrangement and costed accordingly. However, no decision has as yet been taken as to whether it will prove necessary to depart from the existing method of assessing the contribution to be paid by the Department of Civil Aviation."†

223. It may be that it is desirable for purposes both of the Bureau of Meteorology and of the Department of Civil Aviation that some charge should be levied upon the Department for the services rendered to it by the Bureau. However, if that is to be the case, we consider that the principle of the charge should be that the Department should bear a fair proportion of cost or should pay on some other basis derived from actual cost. We also consider that, once adopted, the principle of charging should be adhered to. Any such approximation as occurred during the four years' currency of the 1952 arrangement is not satisfactory. If an agreed basis of 35 per cent. and 28 per cent. is determined, then the payments should be made on that basis and not on an approximation to it. The amounts involved in an error of even 1 per cent. are, when such large payments are in question, substantial. Your Committee do not wish to state categorically that no charges should be made for services rendered by one department to another, but we do question the basis on which many of them are at present operating.† Our misapprehensions are not set at rest by the Department's conclusion (quoted in paragraph 222) that "no decision has as yet been taken as to whether it will prove necessary to depart from the existing method of assessing the contribution to be paid by the Department of Civil Aviation".

224. The memorandum submitted to us by the Australian Air Pilots' Association indicated that they are not altogether satisfied with the meteorological services provided for users of the airways system. We asked for illustrations of the Association's view in the course of the hearings, and found that the criticism relates in the main to a few areas in which the services provided are not, in their view, adequate, e.g., there is no 24-hour forecast

service at Hobart or Cairns, and no trained observer in the Riverina area. The Association also suggested that additional weather flights should be made, perhaps making use of R.A.A.F. training flights out to sea from various points on the coast, e.g., to areas south-west of Hobart and Cape Leeuwin.

225. We asked the representatives of the Association whether they had communicated their ideas to the relevant authorities—

"We have approached the Department of the Interior and the Department of Civil Aviation on these matters, and they are well aware of the deficiencies, but they just cannot obtain qualified forecasters."

COMMITTEE MEMBER.—They have not got them?—(Mr. Mellor) That is so. We are a bit concerned about the fact that there is a certain amount of duplication going on between the two departments or the two branches of the Department of the Interior. I refer to the local city weather forecasting station and the forecasting station working in conjunction with the department. We have felt that while that duplication exists, perhaps it would be better for all if some of it was eliminated in order to give better coverage for the air services."

226. Mr. Mellor, representing the Air Pilots' Association, said that he thought duplication arises because the forecaster at the airport does the same job as the forecaster at the city office. Your Committee have no basis for making any judgment on this matter, which is a question of the most appropriate organization of the personnel involved in producing weather forecasts. However, we commend this matter to the relevant authorities for their consideration, particularly because it appears that there is a serious shortage of trained weather forecasters. The release of even a few of them would, we understand, assist in enabling the Bureau to function with a staff nearer to establishment and should enable a more comprehensive service to be provided

(d) THE AUSTRALIAN SEARCH AND RESCUE SERVICE.

227. The Department of Civil Aviation and the R.A.A.F. provide jointly the Australian Search and Rescue Service for civil aviation. Policy direction and procedural control of the Service are vested in the Department of Civil Aviation and the actual searching and rescue operations are carried out by the R.A.A.F. The R.A.A.F. has established Rescue Co-ordination Centres at appropriate points and the Air Traffic Control Services of the Department of Civil Aviation inform the Centres of aircraft in difficulty or distress. Once the emergency exists, the Rescue Co-ordination Centre (R.A.A.F.) is the body responsible for the conduct of the search.

228. The Department of Civil Aviation makes annual payments to the R.A.A.F. for its services and the aircraft and staff it makes available. The Votes of the Department of Civil Aviation first contained an entry for the Search and Rescue Service in the financial year 1948-49, and since that year amounts have been paid to the R.A.A.F. annually. The votes and the amounts expended, which appear in the Estimates of the Department of Civil Aviation at Division No. 71, Item 3, are as follows:—

	Vote.	Expenditure.
	£	£
1948-49	37,000	37,000
1950-51	101,000	101,000
1952-53	120,000	129,000
1953-54	155,000	154,000
1954-55	135,000	135,000
1955-56	134,000	..

229. The Department provides fairly extensive facilities for the R.A.A.F. by permitting R.A.A.F. use of its aerodromes and air navigation facilities. We therefore asked Group Captain Eaton whether he considered that the R.A.A.F. should make any payments to the Department for use of its facilities. He replied—

"I think if we added them all together it would probably balance out. On our joint-user fields we have a proportion of the load. We are responsible for laying down the pavements, and a runway to-day costs £1,000,000. We repair the pavements at Canberra, Darwin, Williamtown and Sale, which are used also by civil craft. We provide air-sea rescue craft for civil work, which would be very expensive for them."

COMMITTEE MEMBER.—Do you make any contribution for the use of civil aviation equipment by your aircraft?—(Group Captain Eaton) Not that I know of.

* See Section 7 of the Meteorology Act 1955 (No. 6 of 1955), that came into operation on 30th June, 1955.

† See Exhibit No. 53/41, page 1, paragraph 6.

‡ We refer also to our discussion of the Air Search and Rescue Service, at Section (d) below, especially paragraphs 230-231.

COMMITTEE MEMBER.—You mentioned just now the great value of civil aviation D.M.E. equipment to the R.A.A.F. How does that apply in New South Wales at an aerodrome such as Richmond or Williamtown?—(Group Captain Eaton) The D.M.E. is operated from beacons all over Australia with a range of 375 miles at 45,000 feet. If we were coming from Melbourne we would only need to tune in to Sydney and we could not be more than two degrees out, which, for an Air Force pilot, is quite satisfactory.*

230. Your Committee have on other occasions queried the practice of inter-departmental charges for services provided for one department by another. It is possible that the payment could more appropriately be included as an item in the vote of the Department of Air instead of in the vote of the Department of Civil Aviation. However, we realize that the facilities are provided for civil airline operators and other civilian flyers, and that the Air Navigation Charges are levied on the basis of the items of expenditure set out under Division No. 71 of the Estimates.

231. If it is most appropriate for the item to remain in Division No. 71, we question whether the charge levied is reasonable. We note that, in spite of upward trends in prices, the amounts paid to the R.A.A.F. since 1952-53 remain stable, except for a peak in 1953-54. We cannot think that air search and rescue operations have diminished over the years. Your Committee recommend that, if this charge is to continue, its basis should be reviewed.

232. Further, there seems to be a view that the expenditure incurred by the Department of Civil Aviation on behalf of the R.A.A.F. and the expenditure incurred by the R.A.A.F. on behalf of the Department of Civil Aviation are approximately equal. Your Committee doubt whether the payment of some £130,000 by the Department of Civil Aviation to the R.A.A.F. is the only expenditure incurred by either Department on the other's behalf that does not balance out. We recommend that some consideration be given to an appropriate basis for inter-departmental charges, if the principle to be adopted is that each Department is to make payments to other departments for services rendered to it by those other departments. It is clear that at the moment there is no accurate knowledge whatever of the position between the Departments of Civil Aviation and Air. We recall, too, our doubt whether any inter-departmental charging system is desirable and our scepticism of the view that any satisfactory system can be evolved.

Q. 2218.

CHAPTER VIII.—AIR NAVIGATION CHARGES.

(a) THE CHARGES AND THE REVENUE THEY PRODUCE.

233. By a Government decision made in 1947, charges were levied on civil users of the airways system provided by the Department of Civil Aviation. An analysis was made of the cost of providing the various facilities, and it appeared that for 1946-47 the cost of operating and maintaining the system was of the order of £1,000,000, including a charge of £260,000 for depreciation.

234. The scale of charges decided upon became effective in August, 1947, at a rate that was expected to return to the Commonwealth something of the order of 30 per cent. of the annual expenditure by the Department on aerodromes and air navigation facilities. Between August, 1947 and 30th June, 1952, the Department levied the charges decided upon, but certain operators, notably Australian National Airways Pty. Ltd. and Ansett Airways Pty. Ltd., refused to pay the amounts claimed. The ensuing litigation is not relevant for our purposes, except in that it resulted in an Agreement between the Government and Australian National Airways Pty. Ltd. The Agreement was ratified by the Civil Aviation Agreement Act 1952. In accordance with its terms, the Company undertook to pay, and the Commonwealth to accept, one-third of the amount that had been charged for the use of aerodromes and air navigation facilities before 30th June, 1952.

235. The amount owing to the Commonwealth under the rates fixed in August, 1947, was about £1,000,000, of which £338,000 was paid in full settlement under the 1952 Agreement. The Department stated that if all the operators had paid, in 1951-52, the air route charges determined in August, 1947, the Commonwealth would have received approximately 10 per cent. of its "recurrent expenditure" in the form of charges on the airline operators.

236. The reduced scale of charges, first levied under the Air Navigation (Charges) Act 1952* in 1952-53, was approximately half the 1947 scale, and resulted in a return to the Commonwealth of a little over 5 per cent. on its "recurrent expenditure". That percentage rose in 1953-54 to 5.9 per cent., in 1954-55 to 6.4 per cent. and in 1955-56 is estimated to be unchanged at 6.4 per cent.

* See Act No. 101 of 1952.

(b) METHOD OF COMPUTING THE CHARGES.

237. The new scale of charges introduced in 1952 is levied upon the operators for their use of the facilities provided by the Department. The charge distinguishes between use of the aerodrome facilities and use of the airways and the navigation aids forming the airways system.

238. For the use of its aerodromes, the Department levies a "unit charge" that is related to the maximum all-up weight of the aircraft. For the use of the airways system, the Department has evolved a system of determining "route rating", according to which all of its air routes are rated. The Melbourne-Sydney route is now rated at 4 units (originally 2). The other routes are rated using the Melbourne-Sydney route as a base and taking into account the development of their aerodrome and airways facilities, e.g., Brisbane-Charleville is rated at 2 units, Melbourne-Perth at 12 units, Alice Springs-Darwin at 4 units. The charge actually levied is the product of the "unit charge" (calculated on the weight of the aircraft, being charged for each 1,000 lb. or part thereof) and the "route rating".

239. The Air Navigation (Charges) Act 1952 authorizes the promulgation of regulations at any time to alter the scale of charges. According to the Civil Aviation Agreement of 1952, however, alterations are to be made only to the extent that "an increase becomes necessary because of the provision of additional or improved facilities and services or because of higher costs of maintaining and operating facilities and services".* In order to be able to justify any alteration in the charges it is, therefore, necessary to have available accurate information about the facilities and the cost of their maintenance and operation. The Department is at the present time engaged upon a cost study that is designed to provide the information necessary to permit a review of the existing scale of charges. We consider the job costing system in section (c) of this Chapter.

240. Your Committee have already quoted (at paragraph 66) the Department's statement of the revenue it derives from the Air Navigation Charges. In brief, the Department receives from the operators under the system of Air Navigation Charges some 5.9 per cent. of its expenditure on operating and maintaining the aerodrome and air navigation facilities, and a further 11 per cent. approximately is received to Commonwealth Revenue in the form of tax on aviation fuel. Thus, from its Air Navigation Charges and the tax on aviation fuel, the Commonwealth recovered the following percentages of its total recurrent expenditure in respect of aerodromes and air navigation facilities—

Year.	Revenue from—		Percentage of Recurrent Expenditure Recovered.
	Air Navigation Charge.	Air Navigation Charge Plus Petrol Tax.	
1952-53	£ 303,000	£ 666,000	17.1
1953-54	363,000	703,000	18.4
1954-55 (Estimate)	412,000	661,000	20.1

241. Your Committee note the gradually increasing percentage of "recurrent expenditure" being recovered from users of the airways system. But we observe that, insofar as the increase is a result of more revenue from the Air Navigation Charges, it is because of the increasing utilization of the system rather than because of an increased charge imposed for better services and higher costs of operation. Whatever proportion the users of the airways system are to pay, we consider that it should be determined in the light of the costs involved and the services provided, in accordance with the 1952 Agreement.

242. The Department provided us with a statement of how other countries have levied charges on their own air routes, and of how they compare in severity with the charges levied in Australia. It seems that the only other country with a system of charges that takes into account both the weight of the aircraft and the type of facilities provided on the air route in question is Peru: most other countries appear to make their charges purely on the basis of the maximum or actual weight of the aircraft. The charges imposed in Australia seem to fall roughly in the middle of the ranges operating overseas.

243. A somewhat different approach to the problem of air navigation charges, that included a consideration of the operating revenue of the airline operators, was taken during the inquiry into the Ministry of Civil Aviation undertaken by the United Kingdom Public Accounts Committee in 1949. That Committee received evidence that the landing fees levied in England

* See Clause 4 (3) of the Civil Aviation Agreement 1952.

Qs. 708, 709.

are considerably higher than those on the Continent, and that they amounted to approximately 84 per cent. of the revenue of the airline companies derived from internal services. The Permanent Secretary of the Ministry of Civil Aviation, Sir Arnold Overton, K.C.B., K.C.M.G., M.C., was of the opinion that charges amounting to 5 per cent. of the airline companies' revenue would be a fair figure.*

244. We note that the percentage that the expenditure item "Air Route Charges" bears to the total transportation revenue for the Australian National Airlines Commission for the years ending 30th June, 1954 and 1955 is respectively 1.3 per cent. and 1.2 per cent.† While we are aware that petrol tax would add something of the same order, and that the figures may not in other respects be strictly comparable, Your Committee cannot but conclude that the cost of using the facilities provided by the Department of Civil Aviation bears comparatively lightly on Australian operators.

245. We also observe that the United Kingdom Public Accounts Committee reported that "the fees charged by the Ministry for the use of their airfields are estimated to meet about one-sixth of the cost of operating them"‡. We compare with this the amount levied by the Department of Civil Aviation, which represents some 5-6 per cent. of their "recurrent expenditure". Again, we recognize that a further 10-12 per cent. of "recurrent expenditure" is recovered by way of petrol tax; but we understand that in the United Kingdom airline operators pay an aviation fuel tax more than two and a half times that of the Australian tax.§ We recall also the fact that the original Air Navigation Charge was intended to recoup some 30 per cent. of the annual "recurrent expenditure". This may have been too high a target, but we consider a charge of 1-2 per cent. is a swing to quite the other extreme.

246. We were told that the charges imposed under the Australian Act of 1952 were calculated on the same basis as those levied in 1947. The charges fixed in 1947 are computed in the manner described above in paragraphs 237-238. The original basis for the scale appears to have been that the Government decided roughly what proportion of the total cost of the facilities provided by the Department should be recovered from the operators, bearing in mind the level of charges overseas. A scale was then devised that used as determining factors both the weight of the aircraft and the quality of the facilities used. We asked the Director-General whether he thought that it would have been appropriate in 1952, or would now be appropriate, to review the basis upon which the charges were made so as to take into account other elements than those used in the 1947 determination. He informed us that he did not consider it was or would be necessary to revise the charging system, but that the results of the costing system being instituted might make it necessary to make some alterations in the rates—

Q. 714-717. Q. 702. Q. 715. "COMMITTEE MEMBER.—On what basis are the charges for the next twelve months determined? Are they determined according to airport facilities, or is it just that you have this starting point going back to 1947?—(Sir Richard Williams) We have that starting point. In 1947, we established the route charges in the first place, and we had regard to the facilities provided on the routes. The routes were considered individually and separately, and consideration was given to the revenue obtained by the operating company, average load on a particular type of aircraft operating on that route and a reasonable charge was determined. From there, we go on and add the cost. We have not reviewed these charges at all yet. When we do, we may find problems we never thought of."

247. Your Committee are concerned that no alteration in the scale of charges has yet taken place, although it is clear that costs of installation, operation and maintenance have risen—we refer to the various costs that we have discussed in earlier parts of our Report—and that facilities of all kinds have been improved substantially.

248. One matter that has come to our notice is the basic method used by the Department for computing its charges. As indicated earlier, the Department worked in the first place on the general principle that a certain percentage of their "recurrent expenditure" should be recovered from operators. As the 30 per cent. figure originally thought of proved too high, the amount was reduced and is now about 6 per cent. But when questioned whether any account was taken, in computing the elements in the charge, of the various services provided by the Department, the Department informed us that the charge was not broken up in this way. All that concerns them is, it appears, the total "recurrent cost" †

* See Minutes of Evidence, 8th April, 1949, Question 877. † Common Papers 1944-45, Vol. 6. ‡ The Report of the Select Committee on Transport (First Report, Session 1953-54, ordered to be printed on 22nd November, 1955, Paper No. 153) has just come to our notice. In it, the Committee states that the revised fare now devised in 1952, were "added to aircraft weights of 10,000 lbs. were designed to give a yield of approximately 5 per cent. of the income payable from an aircraft operating with a normal passenger load factor over an average route length of 1,000 miles." However, the Ministry of Civil Aviation has succeeded in this, R. A. answer to be varying roughly a new cent. of the total revenue in January 1956. † See the 1954 Annual Report of the Australian National Airlines Commission, for the year 1954-1955, submitted to the Ministry for Civil Aviation on 10th October, 1955. ‡ See Paragraph 62 of the Second Report of the Committee of Public Accounts, Session 1954-55, Common Papers 1954-55, Vol. 4. § The current Australian rate is 10d. a gallon plus 10 per cent ad val. (approximately 21s. a gallon). The United Kingdom rate is 2/6d. a gallon.

249. Your Committee are of the opinion that it would be preferable for the charges to be based specifically upon the actual and identifiable services provided by the Department. In that way the whole basis of the charges could more adequately be considered, and greater flexibility could be given to the charges actually levied. Moreover, it might well be reasonable for the Department to recoup more of its expenditure on services for which it acts as a paying agent, e.g., meteorological and air rescue services, than on facilities owned and operated by itself. It is also conceivable that for a service not directly a part of the "permanent way", e.g., fire services, the Department might wish to charge higher fees than for those it levies in respect of use of the permanent way. The costing system being instituted by the Department should make such an approach possible.

250. We report also one further matter that has come to our notice. The more modern aeroplanes, powered by turbines or turbo-jets, are using kerosene rather than standard aviation fuel for their operation. The customs and excise duties on kerosene are much smaller than they are on aviation fuel—in fact they are comparatively negligible. If increasing numbers of aircraft use kerosene, reductions in revenue to the Commonwealth will be substantial. In this way, the total revenue derived by the Commonwealth from the use of its airways systems will decline, or at any rate not increase in direct proportion to use of the facilities. We asked whether the Department had given this matter any consideration, and were told that it was a matter for the Treasury. Q. 707, 1027-1030.

251. Your Committee are not concerned with whether or not a further charge should be levied upon airline operators. On the whole, as we have stated before, we regard as the most appropriate form of tax one that is levied directly on the user of a service and is related directly rather than indirectly to that use. What we are concerned with in this matter is that the potential loss of revenue has apparently not received any attention. It is ironic in the extreme that, merely because of the irrelevant detail that one aircraft uses a fuel different from another, the airline operator should be radically differently taxed on his operations. We note that the aircraft using kerosene have now been in commercial operation in Australia for more than a year; and cognizance has still, it appears, not been taken of this fact. We recall also that the revenue derived from petrol tax is roughly double that derived from the air navigation charges, and amounted to some £260,000 in 1954-55. Q. 1027-1028.

252. In conclusion, Your Committee state it as their opinion that the delay of the Department in revising the scale of air navigation charges is unpardonable. It is now three and a half years since the Air Navigation (Charges) Act was assented to, and still no revision has been made. When it is borne in mind that the Act embodied a substantial concession to certain operators who had not paid earlier tax, Your Committee regard as inexcusable the delay in assessing afresh the cost to the Commonwealth of operating these ever more expensive facilities. We have also drawn attention to the anomaly that has arisen in connexion with the levying of tax on aviation fuel and the Department's claims in regard to revenue from that source. This also is a matter that should be adjusted without further delay, more especially when that delay is so costly to the public purse.

(c) JOB COSTING.

253. The Department has not yet levied any higher charges for the use of its airways facilities because the costing system has not yet been fully instituted. Without a costing system, the costs of operating the aerodrome and airways facilities cannot be determined with accuracy, and thus no effective basis for establishing the relationship between the costs of the services provided and the charges can be determined. Q. 711.

254. We asked the Department whether any comprehensive system of job costing had existed prior to the ratification of the 1952 Agreement, and were told that it had not. The purpose of the system is, indeed, linked directly to the provisions of that Agreement. Without the information that it will supply, no rational emendation of the scale of charges determined in 1952 can be undertaken, nor alteration to the scale be justified. Q. 891, 1385-1393.

255. The Department told us that the system of job costing that they are introducing involves—

"The costing of each works job and major maintenance jobs individually. It is broken down into labour, material, and incidentals. Each job is put up as a separate proposal, as distinct from very minor works, and it is costed separately. We run off machine tabulations under our punch card system of the estimated cost under each of these three categories, and the progress cost at the end of each four weeks. These are distributed to the regions. The regions punch the cards from the basic documents. We run them off and send the tabulations back to the regions."

Each job, except minor jobs valued at under £200, is separately costed, whether it be a capital or a maintenance job. The only activities of the Department not costed in this way are the small, constant maintenance jobs that are included in the Department's maintenance and operational system of costing.

256. Your Committee observe that, had the accounting procedure that we are informed, is now (1956) ready to function efficiently, been instituted more quickly after the signing of the Civil Aviation Agreement in 1952, it would by now have been possible for the Commonwealth to be levying increased charges for the use of its air navigation facilities. We draw attention to the Department's failure until the end of 1955 to have its cost accounts in such a state that they can perform the functions required of them.

257. The Department submitted a supplementary statement in answer to our request for information about the present position of its job costing. It contained the following information*—

"The position of job costing is now much improved. In value, jobs for which costs have been recorded to the end of 1954-55 represent 85 per cent. of the total. All jobs in Queensland, New South Wales and Victoria-Tasmania have been fully costed to the end of 1954-55 and it is expected that before the end of the calendar year the issue of progress cost statements within 2-3 weeks of the close of each cost period will commence and continue on a regular basis for all Regions.

The arrears stemmed from the circumstances under which it became necessary for the Department to introduce on a retrospective basis a full maintenance and operational costing system for the purposes of Air Navigation Charges, following legislation passed towards the end of 1952. These circumstances have been mentioned in evidence before the Committee and also in a supplement to Document 18.† Job costing then became an integral part of this system.

As the Regions eventually overtook their arrears an abnormal load fell on the Head Office equipment. To cope with this load, the hours of operation of the equipment have been extended by almost 60 per cent. by the working of shifts and overtime. As indicated by the Auditor-General, the Department was negotiating for the hire of additional equipment and it was expected that these negotiations would be successful. The supplier, however, although they could have supplied an additional tabulating unit, found that they could not make the necessary ancillary equipment available. In the circumstances their own bureau is being utilized as much as practicable to augment the Department's resources."

258. Your Committee invited the Department to give its reasons for the slow development of the job costing system. We were told that the main reason is that the Department decided that the most important thing was to keep ahead of the development of civil aviation and to help to maintain the safety record of Australian civil aviation. Routines such as job costing, we were told by the Director-General, should come later—

"In the early days of this organization, as I have explained to the Committee before, we had a big job to do. Our main responsibility was to keep ahead of the development of civil aviation and ensure safety in operations. Consequently I was pushing everybody to get the job done—that job, not a whole lot of paper work. Apart from that, we had a terrible lot of stores and all that sort of thing. You can pick up men, unskilled and skilled, but you just cannot pick up men who are suitable for this sort of thing easily—or we could not at the time. When there was pressure to cut staff, we had to think of the trimmings rather than the main job. Consequently, if my finance fellow came along and started fussing about this, that and something else in regard to job costings, I put him down a bit in the order of priority. I gave more priority to technical men than to that sort of thing. But as time has gone on, the organization has settled down to a definite system of running. We have got these machines. He told me that the introduction and use of machines would do away with the need for human beings, which are most costly. I backed him in that and got the machines. I hope we shall now be in a position to have everything that a normal business organization would have."

259. Time and again we have come across this kind of attitude to accounting procedure and job costing. We have been told that the main thing was to press ahead with the work in question or the project that was in hand or with the development of this or that technical device. Your Committee are not satisfied with the way in which repeatedly this kind of thing happens and this explanation is offered. We call to the attention of those who are wont to act and to excuse in this way that they are using funds voted to them in trust by the Parliament. The funds are to be used for purposes understood at the time of the passing of the Estimates (which Parliament can only presume are based upon a knowledge of costs), and in the manner prescribed as correct usage by the Treasurer. We consider that, whatever the difficulties involved in obtaining staff, greater efforts should have been made to keep the costing side of the developmental activities of the Department under control.

* See Exhibit No. 23/10a.
† See Exhibit No. 23/10a.
‡ See Exhibit No. 23/10a.

260. Further, Your Committee are of the opinion that the responsible officers of the Department have not shown sufficient appreciation of the use to which a system of job costing can be put when once installed. It can, for instance, be used to compare the performance of similar operations by a section of the Department in one place and a similar section of the Department operating in another place. Again, the system can be valuable in determining how much of any given increase in costs is a result of inefficiency and how much is a result of genuine increases in costs. We consider that these and other benefits that may accrue from the installing of an efficient costing system have not sufficiently been taken into account. We refer especially to Questions 1019 and 1021, and quote the following section of our Minutes of Evidence—

"COMMITTEE MEMBER.—The question was raised whether the people doing the work actually understood the benefit which might ensue. I am wondering whether the results obtained would be not merely understood by these people but would be understood and used by the heads of the department, because that seems to be important.—(Mr. Scott) We find in our Division that there is a growing interest in what these costs are producing and what they can produce. We know that from our personal experience.

Q. 1377-1379.

COMMITTEE MEMBER.—I would not put it exactly like that. The question is whether analysis of these statements is going to be of real value?—(Sir Richard Williams) It will be used mainly on the preparation of the estimates and the like and as to whether we get this, that, or something else.

COMMITTEE MEMBER.—Perhaps it could be used as a cross-check between regions to show whether there is efficiency or inefficiency in operation, one against the other?—(Sir Richard Williams) One gets a general indication of that from staff employed. For instance, one goes along to an aerodrome and finds two or three men employed and one asks why it takes three men to do a job which is done by only two in a similar place somewhere else. Arising from personal visits of that sort you get a pretty good idea on that point.—(Mr. Anderson) I think the extent to which this costing system can be efficiently used in the management of the department's activities has still to be demonstrated. I think that is the answer to your question."

261. The Department assured us that by the end of 1955 they would be in a position to operate the job costing system,* and we anticipate that it should soon be possible for them to consider, with the proper information before them, the institution of a revised scale of charges. The Department itself has been so emphatic that its services are improving and its costs rising that an appreciable increase in the scale of charges levied appears probable. We realize that a charge that would, even together with the tax on aviation fuel, enable the Department to meet its recurrent costs from these sources would be far beyond the capacity of airline companies to pay, and do not look for the levying of such a charge. However, we consider some revision is long overdue.

262. Your Committee understand and appreciate the complementary policies that—

- (i) the Commonwealth should develop facilities as fast as they can be fully utilized by the airline operators and to keep abreast of current developments in civil aviation, and
- (ii) the charges levied upon the users should rise as the quality and usage of the system increases.

It is, to say the least, disturbing to find that at present no one—neither the Department nor in consequence the Government—has had any opportunity to consider whether or not the Air Navigation Charges should be increased. The necessary figures are not as yet assembled.

263. We were told that the Department is now receiving information regularly from most of its Regional organizations and that this is duplicated on the central records held at the Head Office at Melbourne. The results are then passed back to the Regions for consideration but are used in Head Office for such purposes as may be desired. We were interested to know why it was that all the analysis of the job costing records is done at Head Office rather than in the different Regional organizations, and the Director-General answered—

"We have not the facilities for doing it in all regions, nor in any of them, we only use our regions to give us information and we use machines at Head Office, which is the only place they are, to complete the job.

Q. 1372-1374.

COMMITTEE MEMBER.—You do not find that that results in any undue delay?—(Mr. Scott) No. The cards, and the results produced from them at Head Office, are sent by airfreight or airmail, where it is justified, and that reduces the time loss and there is not very much wait involved in it. Of course, there would be no justification in having a much card tabulation and sorting outfit in each region. They merely punch the cards and send them to us. They do not have to send the documents to us.—(Sir Richard Williams) Finance is finally controlled in Head Office and we need that

* We have since been informed that by the end of 1955 the costing (punched card) system had been expanded to all Regions."

information more than anybody. I do not say the regions do not need it but we require it more.—(Mr. Scott) Statements are sent to the regions immediately they come off the press.

COMMITTEE MEMBER.—You have men in Head Office who are competent to understand what the cards mean and from them be able to survey the whole ambit of your work throughout Australia.—(Mr. Scott) Most certainly?

It is to be hoped that before long the system that has taken so many years and so much effort to install will be fully and efficiently used.

CHAPTER IX.—AIR MAIL CONTRACTS.

(a) HISTORY OF AIR MAIL PAYMENTS.

264. Australia was one of the first countries in the world to institute any regular air mail services. It is not without significance that the earliest services established in Australia were over routes serving outlying areas and not between substantial centres of population. Thus, the first Australian air mail service began with the establishment of a regular air service between Geraldton and Derby (Western Australia) in December, 1921. It preceded by many years regular air mails between Melbourne and Sydney.

265. The Department stated that air services in the early days depended far more heavily than they do to-day on mail traffic to provide them with commercial loads. Broadly speaking, World War II. marks the dividing line between the period when even the major domestic operators depended substantially on revenue from air mails, and the present period, when air mail payments, though still a valuable source of revenue, have ceased to be essential to the operators' existence. It is interesting to note that in international civil aviation, the dependence of operators upon air mail traffic is still pronounced. The following table gives a picture of the relative dependence of domestic and international operators upon mail traffic in 1953-54*—

	Mail Traffic as A Percentage of Total Load Factor.	Load Carried as a Percentage of Capacity Load.
	Per cent.	Per cent.
Australian National Airways	1.2	70.5
Trans-Australia Airlines.	1.45	70.0
Australian International Operators	17.3	65.5
British-European Airways Corporation	5.5	64.6
Pan American Airways (1953)	7.0	62.0
British Overseas Airways Corporation	11.9	64.5

266. In commenting upon these figures, the Department stated—

"It can be concluded, firstly, that air services which depend principally on passenger and freight traffic are unavoidably committed to providing capacity in excess of that which will actually be used and, secondly, that no significant connexion exists in practice between the proportion of total air traffic which is drawn from mails, and the total load factors which are achieved. Consequently, only if Australian air services were conducted at total load factors lower than those which apply to the operations of the airlines of other countries could it be held that capacity was available for the carriage of additional traffic. The statistical evidence does not, however, support such a contention."†

267. The Department told us that in drawing up contracts for the carriage of air mail it is necessary to make a distinction between two categories. In the first category are operators carrying mail along well-established routes, for whom payments can be calculated by reference to the amount of mail and the distance it is carried. In the second category are operators, payments to whom are related to the economics of the air service required by the districts served: they normally serve areas to which no other regular form of transport, e.g., railways, runs.

* See Exhibit No. 23/51, page 2.
† See Exhibit No. 23/51, page 3.

268. The operators conducting services over the more densely populated areas receive payment for mail at rates decided upon after negotiations between the Department and the operators concerned—

"For example, T.A.A. and A.N.A., the bulk of whose services operate over the main trunk routes, receive payment at the rate of .06d. per pound mile for mail normally carried by air and .026d. per pound mile for mail not normally carried by air, but which is so transported during floods and other emergencies." The rate for these operators was, the Department stated, "determined somewhat arbitrarily in 1952 as a matter of Government policy, after consideration of relevant factors such as the rates previously paid to these airlines, the amount of anticipated receipts from postal charges and the overall expenditure of the Government".

269. At this other extreme are operators who are in effect flying developmental air services. For determining payments to them, the Department assesses the requirements of the airline "at a figure estimated to be sufficient, given efficient management, to bridge the gap between costs and revenue and to provide a margin for profit". The Department receives estimates of receipts and expenditure from the companies concerned and, after close examination and in consultation with the company concerned, reaches agreement on the estimated requirements of the company for the ensuing period. The Department explained that—

"The services falling within this 'developmental' category are those which bring the benefits of air transport to residents of sparsely populated areas of Western Australia, Northern Territory, Queensland and New South Wales, and the continued operation of these services is in conformity with the Government Policy of developing these areas."‡

270. We were told that the full amounts paid to operators for developmental services are not found from the funds of the Department of Civil Aviation. Some of the money paid usually comes from the Postmaster-General's Department and further sums, in the case of the Territories, from the Department of Territories—

"COMMITTEE MEMBER.—Have you the amounts paid by the three departments?—(Mr. MacFarlane) For 1954-55 we received from the Post Office for Connellan Airways £7,700, and from the Department of Territories, £13,000. Q. 270, 269. Q. 1160-1172.

COMMITTEE MEMBER.—What was your own contribution?—(Mr. MacFarlane) The total payment was £52,000, so about £33,000 came from us.

COMMITTEE MEMBER.—In determining the amount you will pay, as distinct from the amount paid through you by the Post Office and Department of Territories, have you any idea how your payments would relate to the total receipts of Connellan Airways or to their own financial situation? On what basis do you assess the £32,000? Do you fix a figure and pay the difference between that and the amount paid by the other two departments?—(Sir Richard Williams) We make an agreement with the Post Office and the Department of Territories as to their contribution. Each year we examine the company's trading figures, and we provide the balance.

COMMITTEE MEMBER.—To bring him a profit or to bring him to equation?—(Sir Richard Williams) All these subsidies are paid on a basis of 7½ per cent.†

271. The 7½ per cent. basis referred to in the quotation is the amount of profit that the Department has decided should be permitted to operators receiving a subsidy for a developmental air service. The purpose of limiting the profits is of course to prevent Commonwealth revenue from subsidizing to an unreasonable extent the shareholders of these companies. We asked the Department what safeguards they had imposed to ensure that the subsidy would not go on being paid indefinitely—

"COMMITTEE MEMBER.—A number of considerations occur in my mind. Normally the initial stages when an air service is restricted, would be the period of its greatest financial stringency. But as the air service developed one would expect the operator to be able to stand on his own feet. In this instance we find that although this company's service has expanded, the charges have become higher. The second point that occurs to me is that when one is paying on a cost-plus basis, he has to be very scrupulous about these things. You are paying the piper as a result of the 7½ per cent. arrangement.—(Sir Richard Williams) Let us go back to the policy that was adopted in relation to the establishment of aerodromes. We say that we will not do anything until the local people have developed an aerodrome and the volume of traffic justifies the provision of a service. In the case of Connellan Airways, Airlines (W.A.) Ltd., and MacRobertson-Miller, the Commonwealth has from the commencement used those services for the purpose of providing communications to sparsely populated areas. It is not expected that, in the foreseeable future, the volume of traffic will justify those services; they are provided by the Commonwealth for the convenience and benefit of the people who are living in and developing the areas concerned." Q. 1177.

* See Exhibit No. 23/52, paragraph 2.
† See Exhibit No. 23/52, paragraph 3.

272. The Department informed us that if an operator wishes to extend his service, he has to consult the Department before doing so. The Department would only encourage an operator to extend his service if they considered that it was desirable for some good reason. The Director-General told us—

Q. 1183. "This thing has worked both ways. In some cases, the Post Office might inquire as to the possibility of the provision of a service to another place to deliver mail, so that they can do away with an existing contractor who does not wish to carry on, and so on. We have a look at it from the point of view of what is going to be involved—the estimated cost of providing the service compared with what they are paying for the existing service. On the other hand, the operator might say, 'So and so in a certain area is asking whether he can have an air service. He is prepared to put in a landing ground at his own expense, and I am prepared to serve him if you agree'. We have a look at that proposition from the point of view of whether the extra service is warranted, and we might discuss it with the Member of Parliament for the district, if he has received representations in the matter. In each case, we consider what is involved and whether it would be worth while. Occasionally we receive requests for an operator to come out an additional fifty miles to serve the residents going in. That has happened, for example, at Laverton, in Western Australia. In that instance it was considered that it would be a waste of money for the operator to go out further in view of the limited amount of traffic."

273. Although most of the operators fall into the two categories we have described above, the Department has found it necessary to find a half-way house for some of the smaller domestic operators. For them, the Department has decided that somewhat higher rates should be paid for the carriage of air mail than are paid to the major domestic operators. The main reason for making special payments to these smaller operators is that the normal volume of mail carried is small as compared with that carried by the two major operators, and the incidence of the costs involved in the carriage of the mail is therefore more severe.

274. The Department informed us that they are at present examining applications from some of these smaller companies for higher charges. The payments to them are not related to their financial position but to the actual cost of carrying the mail—

Q. 1108. "We have certain companies in the outback areas which are definitely subsidised. The other operators between the major operators and the subsidised ones, such as Ansett, Butler and Queensland Airlines—that just about covers them—when we go into the rate of payment to them we consider, not their financial position, but what they have to do with this mail—the expense incurred by them in carrying out the contract."

275. The Department also informed us that they make arrangements for the carriage of air mail requiring special treatment. In particular, the Department supervises the carriage of diplomatic and safehand mail consigned to destinations within Australia. The charge for these packages is made by the operator upon the Department of Civil Aviation, which in its turn charges the person despatching the mail. The diplomatic and safehand mail facilities are used internally by such persons as Consuls-General, who send mail to their Embassies in Canberra and by Departments requiring safehand treatment for despatches. The facilities are designed to handle letters requiring delivery earlier than postal despatch would provide or warranting special security measures; but precious cargoes are not handled.

276. The Department charges 8s. 9d. per lb. for domestic diplomatic and safehand despatches. The rate was "originally fixed during the war to coincide with the rate then paid by the Postmaster-General's Department to the Department of Civil Aviation for each pound (gross) of Australian domestic letter class mail". We then asked—

Q. 1208-1211. COMMITTEE MEMBER.—What was the original basis on which rates were fixed? Apparently it was the letter rate operating during the war, but why did you apply that standard? (Sir Richard Williams) This diplomatic mail is sent to us and we make the same charge as the Post Office does on airmail letters, 3s. 3d. plus 3d. per half ounce. Then we hand it over to the mail operator and pay him the ordinary airmail rates.

COMMITTEE MEMBER.—What was the basis on which you decided to select that rate?—(Sir Richard Williams) We are charging the embassies exactly the same as they would have to pay if their mail went through the Post Office.

COMMITTEE MEMBER.—You realize that these people have highly important documents which require particular care but you do not desire to unduly penalize them?—(Sir Richard Williams) That is so, and we make a profit out of it by putting it all together.—(Captain Johnston) I think we make the same profit out of airmail letters from Canberra to Sydney because the charge is 3s. 3d. plus 3d. for a short distance. In this case it goes in as bulk postage. It does not go through the ordinary mails; it goes in a special bag.

COMMITTEE MEMBER.—In other words there is no concession rate at all?—(Sir Richard Williams) No. It is just a special service in order to keep it out of the ordinary mail because it is diplomatic material which the embassies do not wish to send through the ordinary mail. It is collected at Sydney for example by the consular representatives."

277. The revenue derived from diplomatic and safehand despatches in recent years has been—

	Domestic.	International.	Total.
	£	£	£
1962-63	13,533	15,344	28,877
1963-64	16,902	11,386	28,288
1964-65 (estimate)	14,600	8,700	23,300

278. Your Committee doubt whether it is necessary for the Department to act as an intermediary in respect of these mails. We can see no good reason why an arrangement similar to that now used for ordinary air express packages should not be instituted for diplomatic and safehand mail. It would avoid the necessity for the Department to act as an intermediary and would save the costs associated with that function.* If it is possible for overseas operators to deal directly with the consignor, it should be possible for the internal operators to do the same.

279. The Department appears to have (and exercises) certain necessary supervisory functions over the carriage of safehand mail; but no adequate reason has been given for the Department's additional functions in respect of domestic safehand despatches. It appears that the operator renders an account on the Department, which levies the charge mentioned above upon the consignor and makes the necessary payment to the operator. We regard the Department's functions here in the same way as its previous functions on air mail payments (this subject is dealt with more fully in the next section of this Chapter): they appear in the main to be mere duplication, not called for by the service performed.

280. Your Committee recommend a reconsideration of the present position and suggest that the most sensible arrangement would be for either the operators themselves to deal directly with the consignor, or for the Postmaster-General's Department to perform the necessary intermediary functions.†

(b) THE METHOD OF COMPUTING AIR MAIL PAYMENTS.

281. The Department of Civil Aviation told us that for many years they have acted as agent for the Postmaster-General's Department in determining the method of payment for carriage of air mail and in making the payments to operators after a proper examination of the accounts.

(i) The Entry on the Estimates.

282. Until the financial year 1955-56, payments to operators for the carriage of airmail were shown in the Estimates of the Department of Civil Aviation under Divisions Nos. 72 and 73. A note of the revenue received by the Department for making these payments was included in the Summary of Revenue at the head of the section of the Estimates dealing with the Department of Civil Aviation. It was headed on "amount recoverable from the Postmaster-General's Department and other sources for conveyance of mails (domestic and international)". From 1955-56 onwards, these items will disappear from the Estimates for the Department of Civil Aviation and will be included in those for the Postmaster-General's Department.

283. Having regard to the circumstances, Your Committee regard the change as desirable; but we consider that the change should not affect the inclusion of the details of air mail payments at present shown in the Budget and Estimates papers. If an appropriate place can not be found in the Estimates of the Postmaster-General's Department for all the information at present contained in the vote for the Department of Civil Aviation, we consider that it ought to be shown in the Budget Papers, e.g., the itemization of international mail payments in Division No. 73 should not be lost because the payments are now shown in the votes of the Postmaster-General's Department.

284. In reply to our inquiry as to the relationship between the Department of Civil Aviation and the Postmaster-General's Department, we were informed that originally the functions had been divided in such a way that the Department of Civil Aviation was responsible for making payments to the operators. The Postmaster-General's Department was responsible for collecting the surcharge on the mail from those sending matter by air mail, and made a payment of the whole of the surcharge, except a small portion retained to cover its own

* For the mail destined for overseas, the Department levies a charge of 5/10d. per pound to cover the estimated cost of its carriage within Australia. A further charge is made in respect of the overseas carriage by the overseas operator dealing directly with the consignor.

† Your Committee also discuss this matter in the Twenty-third Report, presented on 22nd May, 1956, in connection with an examination of selected items in the accounts of the Department of External Affairs for 1954-55.

administrative costs, to the Department of Civil Aviation for making payments to the carriers of the mail. Thus two entries concerned with air mail payments were included in the Estimates, one for the Postmaster-General's Department (to the Department of Civil Aviation) and one for the Department of Civil Aviation (to the operators). As the amount of the air mail increased, so did the expenditure associated with it, and the total entry in the Estimates became of some significance. Therefore the change described above was made, and in future any entry in the Estimates in respect of air mails will appear in the Estimates of the Postmaster-General's Department. Thus the whole of the funds will remain under the control of the Postmaster-General's Department who, the Director-General of Civil Aviation told us, "still find it convenient to use us as agents in dealing with the operating companies".

285. Payments to operators for air mail have increased as follows*—

Years.	Domestic Air Service (Division 72)		International Air Service (Division 73)		Total.	
	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.*
1952-53	£'000. 1,080	£'000. 903	£'000. 2,214	£'000. 2,572	£'000. 3,294	£'000. 3,488
1953-54	1,168	838	2,401	2,659	3,569	3,609
1954-55 (estimate) ..	1,203	812	2,512	2,682	3,715	3,506

* Includes an amount charged to Administration of £11,000 in 1952-53, £12,000 in 1953-54, and £14,000 in 1954-55. See also Question 284.

286. We discuss later (see Section (c) of this Chapter) the problems of profit and subsidy to which this statement gives rise. It is quoted here to give an indication of the magnitude of the payments involved in the carriage of air mail in and to and from Australia.

(ii) *The Appropriateness of the Rate.*

287. In an endeavour to find out how air mail payments are computed, Your Committee asked whether they are calculated by—

- (i) determining the actual cost of carrying the mail and including an allowance for the special conditions applicable to the carriage of air mail;
- (ii) relating them in some way to the freight rates charged by the airline companies for commercial traffic; or
- (iii) relating them to payments made for carriage of air mail in other countries.

The answers we received were not satisfactory.

288. We were told that air mail payments involve special considerations because of the way in which operators must receive and deliver mails and take responsibility for them while they are in transit. The most satisfactory statement of the position was submitted to us by the Australian National Airlines Commission, and we quote a section of their interesting note on air mail payments—

"Mail requires special handling and documentation—at every point where mails are handed over from one person to another, signatures of receipt must be obtained on a document which clearly specifies the type of mail, numbers of bags, and originating and destination points. On the aircraft, the First Officer is responsible for checking that all the mail is loaded and he records the loading and offloading of mails at intermediate ports during the flight. Some other points indicating the special treatment which is given to mail are—

- (i) The operator is obliged to delay aircraft departures for up to 15 minutes to enable a connexion to be provided for mail from another flight;
- (ii) In most ports the mail is picked up from and delivered to the Post Office free of charge. Other cargo is never picked up from the consignor and delivery to consignees is confined to limited areas in the cities;
- (iii) All supporting documents must be provided and checked before payments will be made for carrying the mail;
- (iv) At the major ports, an officer on each shift is assigned to handle the mails, and he is fully employed on these duties;
- (v) When not in movement, mails must be kept under special security arrangements.

Many schedules are determined by the P.M.G.'s requirements as to the carriage of mail. These flights must be operated, because of mail commitments, at times which are unattractive to passengers and which are operationally and commercially undesirable. On a Melbourne-Sydney flight this means that for every passenger lost, 60 lbs. of mail must be carried to make up the loss of revenue."

* For full details of these Revenue and Expenditure, see Appendices Nos. 5 and 6 where the Revenue and Expenditure Statements submitted to us by the Department are quoted in full.
† See Exhibit No. 29/47, Statement 8 "A".

289. Considering first the possibility that some analysis of the actual costs of carrying mail might be made so as to determine appropriate rates of payment to operators, we asked whether any such analysis had been made. We were informed that in the United States of America considerable time and energy had been spent, and considerable argument aroused, over determining the cost of carrying air mail. We asked whether any such attempt had been made here—

"COMMITTEE MEMBER.—Have you ever been sufficiently interested to make a comparison for statistical purposes, applying all these factors of variations in landing charges, different capital costs, labour charges, fuel costs and so on? Could you say, in the light of those factors, this is a reasonable, or unreasonable, charge?—(Sir Richard Williams) I have never sought such figures and I would be surprised if they were in the department.—(Captain Johnston) It would be a very interesting study but would not produce any evidence as to the reasonableness of our payments. It would be just a theoretical study.—(Sir Richard Williams) We have not the staff to do it."

290. The Department told us that there were many problems associated with trying to assess the actual cost to the operators of the carriage of air mail. Captain Johnston said—

"If you divide the cost of operating a service by the amount of commodities carried you get an apparent cost, but of course some classes of traffic cannot be obtained if the operator tries to charge the full proportion of their costs. We have not, in Australia, attempted to separate the fair payment for the carriage of mail from what might be called the subsidy element in the mail payment. That has been done recently in the United States. After several years of investigation they have drawn an arbitrary distinction between what they call the fair payment for the carriage of mail and the subsidy element. So far as we are aware it had not been attempted in any other country, and we have not done it here."

COMMITTEE MEMBER.—So there is no way in which you think you can apply what might be called a cost-plus basis to the major domestic airlines if this was considered a good principle?—(Sir Richard Williams) I do not suppose it would be impossible to do that, but it would be a long drawn-out process with all sorts of arguments arising, and I do not think it would be worthwhile. I would not recommend it.

COMMITTEE MEMBER.—Do you continue to give consideration to trying to find an alternative method, or are you satisfied that this is the optimum method used now?—(Sir Richard Williams) In our own mind we are perfectly satisfied that the methods we use are fair and reasonable, and we see no better alternative."

Your Committee do not wish to dispute the method by which payments are at present made to airline operators for their carriage of air mail. In fact, all the operators told us that, with certain reservations, they are satisfied with the method now in use for paying for the carriage of mail.

291. As for the amount of the payment, Mr. Butler indicated that he thought that on many of his routes the carriage of mail was uneconomic for him, and Captain Holyman said that he considered the rate should be increased to take account of increasing costs.

292. Your Committee were unable to obtain any indication from the Department of whether in fact the cost to the operators of carrying air mails is higher than the payments made to them by the Department, as is alleged by some operators.

293. It is a matter of some concern to us that the Department appears to have no accurate knowledge of the basic facts. The Department claimed that it was because they did know them that they thought it preferable that they, rather than the relatively unskilled Postmaster-General's Department, should undertake the drawing up and adjustment of airmail contracts. When the evidence discloses that the Department does not know what the real cost is and does not think it worthwhile endeavouring to ascertain it, we consider it a serious matter. Our criticism is not of the amount of payment, which from all accounts seems to be satisfactory, but is of the attitude towards the collection and analysis of this basic data upon which the Department makes its detailed decisions as to appropriate rates of payment. We recall our similar observations in connexion with the levying of Air Navigation Charges (see Chapter VIII, Sections (b) and (c)).

294. Another way of checking the appropriateness of mail payments would be for the Department to make a comparison between its own domestic air-mail payments and those made in other countries. But here again the Department seemed unable or unwilling to make any close examination. We were told that the conditions in Australia are so dissimilar from those in other countries that the comparison could not easily or relevantly be made. With that observation we are inclined in general to agree. However, we consider that it might well be valuable, if other forms of detailed analysis of the costs of carrying air mail are not practicable

or desirable, to make some comparisons. The results would certainly help to confirm or to cast doubt upon the existing rates of payment—

Q. 1143, 1145.

"COMMITTEE MEMBER.—If there is no fair basis of comparison possible between your circumstances and those of the railways in relation to the Postmaster-General's Department you would have to go to services in other countries to find a basis of comparison. Have you ever had occasion to examine, say, American rates and ratios or British rates and ratios?—(Sir Richard Williams) Yes, the practices overseas are similar to our own.

COMMITTEE MEMBER.—The practices, but what about the rates and ratios? Have you ever had occasion to study those statistically to make a comparative analysis in order to know whether you are on the right track, because as you say in the documents, to some extent you must be arbitrary. In such circumstances I take it you would look for all the statistical support you could get to remove the arbitrariness as far as possible?—(Sir Richard Williams) That has not occurred to my mind in relation to domestic services and personally I should think it a waste of time because conditions vary to such an extent. We are thoroughly aware of what goes on in international operations because all those matters of international mail carriage and payments for it are dealt with by the International Postal Union, the International Air Transport Association and so on, and so we get an indication. Our indication from that source is that overseas they pay pretty high rates."

The charges in America are, we understand, rather higher than those prevailing in Australia.*

295. Yet another method that might be adopted for ascertaining whether the air mail payments are at an appropriate level appears to be for the Department to examine the level of its payments for carriage of air mail in the light of the rates charged by operators for other forms of freight. The Department appears to consider that it would not be relevant to compare the air mail rates with those charged by the railways, because of the vital importance to aircraft of the weight of the mail in question. Therefore it seems that it might be best, if this approach is adopted, to compare air mail rates paid to operators with the rates charged by them for other forms of air freight. The presumption would be that they are not running the other services at a loss, and that therefore a comparison of freight and air mail rates would give some indication of the fairness of the rate paid to them for the carriage of air mail.

296. The Australian National Airlines Commission provided us with some useful figures comparing the payments made to them for the carriage of air mail with rates charged by them for various classes of freight. The figures are as follows:—

	Pence per ton mile.
Mail—	
International	206
Domestic—	
First class	100
Second class	50
Freight	41
Air express—	
Melbourne-Sydney	80
Melbourne-Launceston	90
Adelaide-Perth	84

297. Thus it can be seen that, leaving aside the payments for international mail, the rate paid by the Department for first-class mail is a little higher than the highest of the rates charged by Trans-Australia Airlines for air express parcels. Considering the operator's special responsibility and the extra handling involved, we would be inclined to the view that the air mail carriage rate is of the right order of magnitude.

298. We asked whether the Department endeavoured to maintain any sort of relationship between the rate for the carriage of air mail and the freight rates fixed by the operator. The Director-General told us that—

Q. 1138.

"... We have always considered that, having regard to the conditions of the contract, the carriage of mails, and the responsibility placed on the operator, he should get for the carriage of mails a rate higher than the freight rate but we have never said that it should be 50% higher, or any other particular figure."

299. Your Committee consider that in attempting to ascertain with accuracy the proper rate to be paid for the carriage of air mail, the methods of the Department of Civil Aviation offer scope for improvement. Nevertheless, we feel bound to observe that, from the information that we have been able to obtain from them and from other sources, the rate for air mail payments appears to be appropriate, a circumstance apparently arrived at haphazardly rather than by calculated design.

* See also Question 1163, where the Director-General discusses the difficulties and advantages of making a comparison with other countries.
† See Exhibit No. 23/47, Statement 3 "A".

(iii) The Computation of the Amounts Owing.

300. Your Committee also questioned the Department about whether some more economical form of computing the amount payable might be devised than the present method of weighing all mail carried and paying for it accordingly. The suggestion was that the Department might operate on the same principle as does the Postmaster-General's Department in its payments to railways for carriage of mail. The procedure there is for the Postmaster-General's Department to make sample weighings every year or two and to make payments to the railways on the basis of these samples. There is therefore no need to weigh each individual consignment of mail.

301. The Department of Civil Aviation told us that this method would be unacceptable for computing air mail payments. They pointed out that every pound carried is of importance to an airline company and that in fact all freight (including mail) carried on an aircraft is weighed; no additional burden is imposed upon the operator by making payments for air mail according to weight. The various operators whom we approached for information indicated that they would in any case weigh the mail—indeed would have to do so—and that they prefer the present basis of computation, which reimburses them "for every pound carried" —

Q. 1132-1135.

"COMMITTEE MEMBER.—Sterling or avoirdupois?—(Sir Richard Williams) Both. Q. 1144.

The operators would not be happy to accept an arrangement under which anybody could put in an extra lb. for no extra payment because every load that goes out has to be lifted. Everything is required to be weighed and placed in a certain position in the aircraft. The operator's aim is to fill the aircraft each time. He cannot afford to have empty space and he would not be happy to have an arrangement under which 20 lb. or 30 lb. could go in without any extra revenue being derived. He could otherwise fill that space with freight and get extra revenue. In the case of a railways mail truck, when there is extra mail, it goes. Any change from our system to the railways system would not be attractive to operators and I do not think it would be equitable."

302. Your Committee concur in the views expressed by the Department and the operators upon the method of computing the mail carried by them.

(c) IS THERE A SUBSIDY?

303. It is sometimes claimed that the rates paid to airline operators for the carriage of mail involve an element of subsidy. That is to say, the payments to the operators are greater than they would be if they were paid simply the cost of the service performed plus a reasonable margin for profit. We have shown in Section (a) of this Chapter how, in the case of operators on developmental routes, the Department has dealt with the problem of preventing excessive profits at the expense of Commonwealth revenue. We have also outlined at some length the reasons for the Department's unwillingness to undertake the task of making a close analysis of costs.

304. We consider it important for a department to know, in reasonable detail and with reasonable accuracy, the cost of the services it provides. Although the Department of Civil Aviation does not actually provide the air mail services, it does determine what is a fair and reasonable rate of remuneration to operators.

305. It is incumbent upon the Department to know what element of profit is included in their payments to operators. Without an analysis of the cost of transporting air mail, it is impossible to determine whether the payment is sufficient to give the operator a reasonable reward for his services but not such as will provide him with a subsidy. If a subsidy is involved, it is important that information about it should be readily available. Hence we attempted to find whether any subsidy is hidden in payments for the carriage of air mail.

306. There is a real element of subsidy in payments for developmental services. We are satisfied that the payments are made subject to reasonable safeguards.

307. The operators of the smaller airline companies, especially Mr. Butler, say that payments made to them for their carriage of air mail do not adequately compensate them for carrying it. We have received no detailed information on this subject, but understand that the Department of Civil Aviation is at present undertaking a re-examination of the rates paid to these companies. The Department itself has stated that "there is evidence to suggest that the payments to these operators are not sufficient to meet costs involved".

308. In regard to the major operators, who carry by far the largest proportion of the mail, the rate has been determined at .05d. per lb. mile.

309. The Statement of Revenue and Expenditure* presented to us by the Department indicates on the face of it that the Department makes a "profit" on domestic air mail carried and a "loss" on international air mail. We asked the Department whether its statement is in

* See Appendixes Nos. 5 and 6.

fu. A true indication of the position and were told that it is not. The expenditure items shown in the table (see paragraph 285 above) for domestic and international air mail payments are not necessarily those actually paid to the operators for their services. Captain Johnston explained to us that the statement is "a statement of receipts and expenditure in respect of services, not in respect of mail". Thus the statement does not indicate what the Department receives from the Postmaster-General's Department and what it pays to operators in respect of international mails as distinct from domestic mails. What it indicates is the payments for domestic and international air mail services. The statement sets out, he said—

"What we receive and pay for international services and domestic services. Domestic services carry international mail and we have apportioned the receipts from international mail partly into international services and partly into domestic services. That confirms your view that this statement does not indicate the precise balance-sheet on international mail or domestic mail. But it does that in respect of domestic and international services, as distinct from mail. . . . (Question 378.) In some of the receipts and expenditure under domestic services, there are receipts and expenditure in respect of international mails."

310. As we understand the problem of the "subsidy" and "profit and loss" element in mails, it is that the Government decides upon a rate of surcharge that is to be levied upon the user of the service for both international and domestic air mails. These payments produce annually a certain revenue, which is collected by the Postmaster-General's Department and handed over to the Department of Civil Aviation for making payments to operators. It is left to the Department of Civil Aviation to determine how, within the amounts payable to it as a result of the surcharge, air mail payments should be made to the operators.

311. However, there is no tightly formulated connexion between the surcharge levied by decision of the Government upon users of the air mail services, i.e., people who post letters, and the rate at which the Department pays various operators for their carriage of air mail. This is because, between the user of the service and the airline operator, there is an intermediary—in the form of the Postmaster-General's Department and the Department of Civil Aviation.

312. Therefore, any talk of "profit" and "loss" is not of great significance. When "profit" or "loss" occur it is because the Department of Civil Aviation has not fixed its various rates of payments for carriage of air mail in such a way as to pay over to the operator exactly the revenue received by the Postmaster-General's Department from the users of the service. If the Department is making a "profit", it probably means that, if the airline operators are reasonably satisfied with the rates at which they are paid, the surcharge to the user of the air mail service is to that extent too large. If there is a "loss", then it means that the surcharge is not high enough or that the operators are receiving too much from the Department for their services. At present, the position seems to be in rough equilibrium. The Revenue and Expenditure Statement indicates that a "profit" is being made on domestic services, and a "loss" on international services, but that when both services are taken into account, the revenue from the surcharge roughly matches the payments made to operators. Thus one can conclude that, if measured by the satisfaction of the users of the service and of the airline operators, and by the rough balance of revenue and expenditure, there is little subsidy element in the air mail payments in general. Nevertheless, it may be that some adjustment to the rates in accordance with which the various payments are made would result in more equitable distribution of the available revenue.

313. Do the rates paid include some element of subsidy to the operators? The answer to this question is difficult to find because it is necessary not only to determine what is the real cost to the operator of carrying the air mail, but also what is a "fair" rate of profit. We were told that in the United States of America some attempts have been made to find a solution; but that the solution arrived at has given rise to considerable disputation—

"COMMITTEE MEMBER.—In America an attempt has been made—they seem to be satisfied that there is an element of subsidy, though it cannot be accurately assessed.—(Captain Johnston) In America they are paying certain operators the basic rates for mail—the fair payment and nothing more. In other cases where that fair payment for the carriage of mail is inadequate for the economics of the service they are paying another element which they recognise as a subsidy element.

"COMMITTEE MEMBER.—What formula would be applied in determining the 'fair' payment? To what is the word 'fair' related?—(Captain Johnston) It was the result of an exhaustive study by the Civil Aeronautics Board. They have fixed what they regard as a fair payment for the carriage of mail.

"COMMITTEE MEMBER.—Is it fair to the person who sends mail, to the operator, or to both?—(Captain Johnston) 'Fair' is perhaps a misleading term. It is the reasonable cost of carrying the mail—the cost to the operator.

Q. 373.

Q. 373, 375.

Q. 1142.

Q. 1082-1083.

"COMMITTEE MEMBER.—Their approach would be that here was a service that was providing a utility not otherwise available and with certain tremendous advantages over all other forms of transport; that they could not expect the operator to carry it at a loss. He must be kept going on an economic basis.—(Sir Richard Williams) You have asked whether there was agreement on it in the United States. They are a long way from reaching agreement. A great many people are not satisfied with the decision. Also, conditions in the United States are rather different from our own in many ways. I do not think it is right to accept as a general statement that there is a subsidy element in all the carriage of passengers, so much for the carriage of freight and a higher payment for the carriage of mail. That is because the operator, under his agreement, must bear responsibility for the mail to a much greater extent than for passengers and freight. It is a matter of opinion whether the payment is fair having regard to those additional responsibilities, the effect of which one cannot foresee."

314. Naturally enough there will always be arguments about what any given service costs and what is a reasonable rate of return to the operator over and above the cost of the service. At least, however, a careful analysis of the cost will have the advantage of giving those deciding on the rate of payment some reasonably accurate information. Even if not absolutely accurate, the calculation of costs would over the years give a basis for comparison.

315. The Department is firmly of the opinion that the rates paid for the carriage of air mail are not too generous to the operators. We are unable to express a definite opinion because sufficient facts do not appear to be available. The Department told us that—

"... we have not undertaken a separation of what might be regarded as a fair mail payment from the subsidy element. That has been done only in the United States of America and it has been introduced over there with a good deal of heart-burning and disputes. We certainly have not undertaken the long study that would be necessary to separate them. Neither do we think it is warranted."

It is difficult to come to any final conclusion on this matter. So far as payments to domestic operators are concerned, Your Committee consider that the institution of some system by which costs could be ascertained would be of considerable value.

316. The payments made to international operators are in rather a different category. In the first place, payments to international operators are made under decision of the International Postal Union, which fixes a maximum rate to be applied generally to international operators. The rate is 4 gold francs per tonne kilometre. (On the Sydney-London service, the Department pays Qantas Empire Airways at a rate of 3.99 gold francs per tonne kilometre, the rate that was fixed in consultation with the United Kingdom Government). In the second place, the payments to international operators are at a rate roughly double that at which payments are made to domestic operators. We were informed that for the moment the Government regards the basic surcharge of about 2s. on international mails as adequate.

317. We questioned Mr. Turner, Chief Executive and General Manager of Qantas Empire Airways, about whether some "subsidy" element is contained in the amounts being paid to his Company for the carriage of air mail. He replied that the payment made for air mail is made in accordance with the fixed international rate and that the charge is determined very largely by what the traffic would bear.

318. We asked whether, if it was found that a particular rate for fares and freights was uneconomical, Qantas Empire Airways could charge more or would be limited by the factor of competition. Mr. Turner replied: "We are an Australian operator competing with a large number of international airlines. If you charge more than they do they take all the traffic. It is as simple as that."

319. As to the question of subsidy, the statement submitted by Qantas Empire Airways indicated that it was their view that no subsidy was paid by the Government—

"Qantas operates all of its international services on the basis of these agreed mail carriage rates and receives no subsidy payment from Governments. Many other international operators receive substantial subsidies from their Government over and above the normal international mail rates. Some of these subsidies are in respect of developmental or essential routes where the volume of mail is limited. In the case of Qantas, it may be necessary in the future to ask for a yearly contract payment for certain services in this category.

As far as Australia is concerned, we understand that the receipts by the Government from air mail postage fees substantially cover the cost to Australia of carriage of air mail on international routes. On the other hand, the air mail postage fees charged to the Australian posting public are in many cases lower than the fees levied by other countries on their posting publics."

320. Our basic question still remains. It is to know whether or not the rate paid—in accordance with the decision of the Universal Postal Union—does contain some element of subsidy. We asked whether the cost of carrying mail is related to the cost of operation. Mr. Turner replied—

Q. 1971-1972.

"Broadly. As I tried to explain it is done on a world-wide basis. In fixing the international mail rate, the international association and the U.P.U. take into consideration the overall economics of airline operation.

"The overall earning capacity of a route or an aeroplane is taken into account and the revenue that we can expect to get from the three commodities is intended to equal the operating cost of the aircraft. Therefore, there is a broad economic approach—very broad, I agree—to the fixing of the mail rates internationally."

321. While we did not receive any satisfactory answer about the basic question whether the rate of four gold francs represents in part a subsidy element to international operators, we did receive many assurances that Qantas Empire Airways was operating with less assistance than are many other international operators. Mr. Turner said that—

Q. 1973.

"The rate of 4 gold francs is fixed internationally and is used by all countries for the carriage of mail on all services. We are not only paid for the carriage of Australian mail. We carry a large part of the United Kingdom and American mails—indeed, mail from most countries in the world. We are paid for that the agreed carriage rate. I say that there is no subsidy element in that at all. I can further illustrate what I mean by saying that a large number of international companies are paid retrospective mail payments which are subsidy elements. For instance, all the American companies' services are reviewed retrospectively. They are paid mail payments by the United States Government which are very substantial, and are in addition to the amount that they earn from the carriage of international mails by charging the 4 gold francs rate. So, in effect, we say that the mail contains no subsidy but that a large number of other international companies are substantially subsidized, in addition, on the basis of the mail that they carry. I agree that it is quite complicated."

322. Here again, the difficulty is that there are no adequate figures. It may be that none can be produced. However, in the absence of figures we are again unable to say, with any degree of certainty, what the position is. Though it does appear that some subsidy is involved, we have found no clear evidence that any substantial subsidy is included in the payments to Australia's international operators. Mr. Turner told us that he did not think the amount of £200,000 that constitutes a "loss" to the Department on international air mails represents a "subsidy" to operators. He said—

Q. 1975.

"Evidence was given here that it (the subsidy) was £200,000. In our view, it is not as much as that. It is more on some rates and less on others. The fact remains that (the cost of international air services) is substantially covered by the air mail fees." It can, of course, be asserted that there is no subsidy, but that on the contrary the payments are merely "what the traffic will bear"—

Q. 1977-1978.

"COMMITTEE MEMBER.—Would you say that there is no more a subsidy for an aircraft operator than the price of carrying letters to England is a subsidy in comparison with the price of carrying wheat?—(Mr. Turner) That is right.

"COMMITTEE MEMBER.—It is the value of the article that matters—whether it can bear that cost—and there should be some differentiation?—(Mr. Turner) I think that that is a very good illustration."

323. Mr. Turner also pointed out that the rate of four gold francs in some cases represents a relatively favorable rate of remuneration to the operator, e.g., on the Kangaroo Route, but that it is not nearly so satisfactory on other routes. For instance—

Q. 1982-1983.

"We have a specific problem on the Pacific service where our competitors, Pan-American Airways, are paid a very large amount by the American Government based on the payment of the carriage of mail in order to establish those services. On all the Pacific services, both north and south Pacific, the payment to Pan-American was 14,000,000 dollars in the last recorded year, which is a lot of money. In order to develop that route adequately as an Australian service we may reach the point where we would like the Government to consider a different type of mail payment. That would be a payment based on the fact that the service is provided and that we are paid by contract for the carriage of mail really for providing the service. We would have a justifiable claim in view of the competition, to approach it in that way. That has not yet been put to the Government.

"COMMITTEE MEMBER.—If you had slightly higher rates where you thought they were necessary so that you could build up some reserves for use to inaugurate those developmental routes, would you regard that as a more satisfactory procedure than by depleting your reserves and then going to the Government for a direct subsidy to develop these pioneer services?—(Mr. Turner) Yes. As a company we have established

developmental reserves in the good years and the fact that we are carrying on what we regard as three developmental routes for the Government out of our own reserves is an indication that we feel we get greater flexibility in operation and approach by running the services and we can give a better overall service by providing them ourselves out of our own finance. But obviously you reach the stage where the mail rates are pushed down internationally, or the services of our competitors make us provide greater frequency in our heavy traffic and then we must say to the Government, 'We cannot afford to do this!'

324. It is better that the air mail payments should be closely related to the actual cost of the services plus a reasonable rate of profit; or that the rates should be paid to the operators on a global basis on the assumption that they will by this means average out between the services that pay them handsomely and those that are strictly developmental in character? Your Committee do not consider it necessary that either method of payment should be adopted for all services of all companies; but we think that it should be clear both to the Department and to the operators what basis is actually being used. It is obvious that there are advantages in knowing what various services cost. Moreover, when it becomes necessary for the Department to make "subsidy" payments to an operator, we are of the opinion that the Department should be satisfied that the subsidy is justified by the efficient conduct of the whole of the operator's business as well as of the particular service being subsidized.

325. Your Committee found no evidence that the operators are conducting their enterprises with anything but efficiency. We are not, however, satisfied by our inquiries that the Department is in a position to make for themselves a fully informed and balanced judgment upon this complex matter.

CHAPTER X.—STORES.

(a) STORES SYSTEM AND INSTRUCTIONS.

326. The annual expenditure of the Department on stores and equipment in the immediate pre-war years was approximately £120,000. At that stage, the Department informed us, stores accounting was carried out on a quantity basis only.

327. After the war, the Department was faced with the task of establishing, maintaining and operating an increasing number of aerodromes and airways facilities and as a result required an ever-widening variety of stores and equipment. There was no stores organization to cope with the growing activities and responsibilities of the Department, nor was there adequate stores accommodation or a Stores Vocabulary.

328. By 1949, purchases of stores had grown to £1,600,000 a year and by 1954-55 the estimate of expenditure was £2,800,000. The Department stated that expenditure on the pay-roll of the stores staff organization throughout the Commonwealth was £350,000 in 1953-54 and that—

"Such costs must be viewed in the light of the dispersed nature of the Department's operations which are distributed over remote localities in all States of the Commonwealth, Northern Territory, Papua-New Guinea and Islands in the Pacific and Indian Oceans." The expenditure on stores has moved up only slightly since 1953-54 is, we were told, an indication of the success of the Department's endeavour to rationalize its stores acquisition and holding system. Q. 1465.

329. In the early post-war years good storekeeping was difficult for the Department because it had acquired large quantities of disposals equipment, much of which was not of any use, but all of which had to be stored and accounted for. However, the Department set about finding accommodation for its stores and established at the large capital city airports a store for the Region in question. From this store all stores for the Region are issued, and where the size of a civil aviation establishment warrants the installation of a separate store, a sub-store is set up, e.g., the sub-store at Launceston. In addition, the Department began to compile a Stores Vocabulary in 1948, and is at present in the last stages of completing it. Q. 1999-1401.

330. We asked the Department why it had taken so long to complete a Stores Vocabulary and the accompanying Stores Instructions. We were told that the main reason was a shortage of staff; it was often necessary to employ temporary persons for drawing up the Vocabulary.

We inquired why it was that the R.A.A.F. Vocabulary had not been used and were told that it is considerably different from the vocabulary needed to cope with civil aviation stores and is not readily adaptable—

Qs 1408-1409, 1411.

COMMITTEE MEMBER.—Was the stores classification that you used in the early part of your existence after the war similar to the stores classification that was in use in the R.A.A.F.?—(Sir Richard Williams) We did not have any stores vocabulary at all. We had to make it up. What we did was to get a number of ex-R.A.A.F. equipment officers who were studying at the university. During the university breaks we got them in and got ahead as far as we could. It took us some years to make it up. That was one of the main difficulties.

COMMITTEE MEMBER.—How long did it take you to get your vocabulary into an order in which it was of real use to you?—(Sir Richard Williams) Sections were issued as they became available, but it spread over years.

Qs 1410 Qs 1412-1417.

COMMITTEE MEMBER.—Did it finish up much the same as the R.A.A.F. system?—(Sir Richard Williams) Yes.

331. The Department stated that in 1952-53 it had reorganized the Stores and Transport Branch and created a new section "responsible for materials planning, provisioning, inventory management and control". In 1953, the improvement in the general supply position enabled the Department to provide that Main Store stock levels should be reduced so as to provision on a six months instead of on a twelve months basis. For subsidiary stores, the policy is to maintain a three months stock level.

332. During 1953 the Department was able to acquire, some three years after they had been ordered, five stores accounting machines. The position now is that the Department operates its stores system using machines. Postings are made in value as well as in quantities. Except for No. 5 Main Store in Western Australia and for the Stores on Coenos Island and at Darwin, we were informed that the procedure is now operating satisfactory.

333. Although we realize that the Department had many difficult problems to overcome in drawing up its Stores Vocabulary, Your Committee are of the opinion that it should have been possible to complete the Vocabulary more expeditiously. Without proper stores procedures, the operations of the Department must inevitably be loose and exhibit a lack of proper control. Notwithstanding that the position now seems to be more satisfactory, we record the inadequate state of the Stores Vocabulary, and therefore necessarily the Stores Instructions, until the latter part of 1955.

334. The Stores Instructions presented to us by the Department comprised an unwieldy roneoed volume of some 300 pages (the pages were not numbered) and when presented to us they were already out of date to the extent of some twenty or more amendments—

Qs 1423-1424.

COMMITTEE MEMBER.—Do the sixteen amendments that have been made to this issue in two months represent a spate of amendments, or is that normal?—(Sir Richard Williams) We believe that, subject to any amendment in statutory requirements, we shall not have many more amendments to it. We believe that it is almost complete. We do not believe that we cannot improve it. We do not believe that it is perfect; we do not suggest that for a minute. Speaking broadly, however, we believe that it is satisfactory as it is.—(Mr. Anderson) It might even now be possible, since it has reached a firm stage, to print it.

COMMITTEE MEMBER.—That was what I was coming to.—(Sir Richard Williams) But it would have been too costly to print before. We have adopted that policy generally in relation to documents that we issue, especially on the operational side. We do not print a document until it has evolved into something that is fairly firm. Then we can amend it by printing new pages to replace those pages on which we wish to make amendments. To do this is fairly expensive, and is not justified until a publication has reached a fairly advanced stage.

335. While Your Committee do not wish to suggest to the Department that it should in any way act precipitately in printing its Instructions, we are of the opinion that printing could with advantage be undertaken in the near future. The time that has elapsed in the preparation of the Instructions means that their settlement in final form and printing is long overdue. Further, the complications associated with referring to them in their present form, bulky, extensively amended and much pasted over, must discourage honest endeavour to find what they say and entails much unnecessary labour in finding the relevant section. We understand that the state in which they were presented to us is much improved over that of twelve months ago.

(b) WESTERN AUSTRALIA—No. 5 MAIN STORE.

336. The Main Store at Perth was established at Pelican Point in buildings used during the war as a Catalina base. It appears that the first stocktake of stores there was in September, 1950. At it, the normal procedure of reconciling stores with ledger cards was dispensed with because there had been no previous records upon which to make a reconciliation.

337. We were told, however, that in the case of Perth, there was not anything like the same amount of disposals equipment as there was in the main stores in the eastern States. Thus the problems should not have been so great as they were in the Main Stores of the eastern States.

338. The next stocktake took place in June, 1953. The Auditor-General stated that it commenced about 15th June, 1953, but that the Chief Auditor, Perth, was not informed until 15th July, 1953, by which time the stocktake was well under way. (It is not, we understand, necessary for an Audit representative to be present at the actual stocktake; his job is to examine the results).

339. The Regional Director apparently informed the Chief Auditor in July, 1953, that the procedure he had been following was not strictly in accordance with the requirements of the Treasury Regulations and Instructions, because ledger cards were being used on the actual stocktake and the use of stock sheets had been dispensed with. (The procedure laid down is that stock in store should be entered on stock sheets and that these sheets should then be compared independently with the ledger cards held in the Accounting Branch. In this way, a reconciliation is possible between stock in store and the ledger cards without the possible complications resulting from the handling by the same person of both the stock and the ledger cards.)

340. The Chief Auditor advised the Regional Director that the procedure proposed by him would be "opposed to the basic principle of independent stores stocktaking and under no circumstances would the Chief Auditor concur in a proposal of that nature". Notwithstanding his advice, the Regional Director proceeded with the stocktake. When the results were presented to him, the Chief Auditor refused to concur in writing off the deficiencies shown up by the stocktake and the Regional Director was requested to submit the matter to the Department of the Treasury through his Head Office.

341. The Head Office of the Department did not become aware of this situation until the end of 1953. This was presumably when the dispute between the Regional Director and the Chief Auditor was referred to Melbourne for further action.

342. We were told that the Department then instructed the Regional Director to undertake another stocktake, following the proper procedure. It appears that this instruction was given in 1954, but that the stocktake did not actually commence until May, 1955. We were informed during our hearings in September, 1955, that the final details had still not been cleared up.

343. Your Committee are dissatisfied with this record of the handling of stores stocktaking and of liaison between the Regional Office of the Department and Head Office. We consider that the delays that occurred in making the stocktakings, and the unsatisfactory procedures adopted, deserve censure. Stores procedures have been unsatisfactory in a number of the Departments and agencies whose accounts we have investigated. It is regrettable that the Perth Main Store arrangements of the Department of Civil Aviation have also been found wanting.

344. The Department told us that they had no evidence that the Commonwealth has suffered loss through the unsatisfactory stocktake in 1953 and the consequent stocktake of 1955. The fact of the matter is, of course, that if proper stores procedures are not instituted and adhered to, it is impossible to tell whether anybody has lost anything or not.

COMMITTEE MEMBER.—Like you, I hope that you are not losing stores as a result of this position occurring, but you cannot be sure that you are not.—(Sir Richard Williams) That stocktake to which we refer was actually a comparison between the ledger accounts and the stock in hand. The only objection to it was the way it was done, and nothing arose out of it to indicate that we were losing stores.

COMMITTEE MEMBER.—I think in fairness it should be stated that the auditor found that it was in opposition to the basic principles of stocktaking. We must accept that?—(Sir Richard Williams) I agree on that. That is the point, that some one could put a surplus in his pocket.

COMMITTEE MEMBER.—Quite. That could have happened?—(Sir Richard Williams) Yes, but there is nothing to indicate that the Commonwealth has lost on it.

COMMITTEE MEMBER.—Would not the Commonwealth suffer a loss if some one did in fact put surplus equipment in his pocket?—(Sir Richard Williams) Yes.

* Your Committee have since been informed (April 1956) that of the fifteen major stores groups, the necessary adjustments in respect of seven have now been approved and four more are with the Chief Auditor for examination and comment. Stocktaking in respect of the remaining four groups is, we understand, virtually complete.

345. The Department also claimed that as a result of the failure of the Regional Director to comply in 1953 with the prescribed procedures for stocktaking, a revision of stocktaking procedures was made. The result was, the Department stated, that much work previously involved in presenting detailed stock sheets is now eliminated—

“Notwithstanding that it did not enable discrepancies to be submitted to competent authority with Audit concurrence, the stocktaking served the very useful and necessary purposes of enabling a speedy changeover to the new mechanized procedure, facilitating costing work by the automatic production of accurately priced and valued accounting vouchers without clerical labour, vocabulary identification of stores, valuing of stocks, auditing of vouchers and checking of the ledger, reconciling of stocks and ledger balances and providing better facilities for the purposes of controlling stock levels.

The work done will also have materially facilitated and reduced the cost of the next stocktake (1955), which was due to be carried out in any case.

Moreover, the ensuing agreement with the Chief Auditor permitted a considerable reduction of the delay to be contained in future stock sheets—a principle which is being extended to all Regions.”*

346. Your Committee consider that it is inappropriate to achieve an alteration in the Instructions by disregarding them. We are always in favour of reducing excessive paper work, but we cannot agree that the only way to obtain the streamlining of procedures is to ignore them and then negotiate for their alteration.† Furthermore, we observe that, though much was claimed of the results of the 1953 stocktake and the ensuing alteration in Instructions, the 1955 stocktake was not complete in September, 1955.‡

347. The Department has informed us that remedial action has now been taken, chiefly in order to prevent a recurrence of the difficulties that have existed in such places as the Main Store at Perth. The following measures have, Mr. Anderson told us, been taken:—

- (i) Bulk holdings, especially of slow-moving stores, have been reviewed, and the Department has endeavoured to clear them out of the stores for disposal.
- (ii) Stores that are readily available from ordinary trade sources are not being held in Departmental stores.
- (iii) Unit loading and a mechanized system of accounting for stores have been introduced, which reduce the load on storemen and give a perpetual reconciliation between stores and ledger cards.

348. Your Committee expect a speedy rectification of the situation in Perth Store.

(c) COCOS ISLAND STORES.

349. The Government decided in 1950 that an airfield should be constructed on Cocos Island for use in flights from Australia across the Indian Ocean. The task of preparing an airstrip was given to the Department of Civil Aviation.

350. Because of the peculiar difficulties that would be encountered in restoring an R.A.F. war-time landing strip and in constructing buildings and associated services on a place so remote and inaccessible as Cocos Island, an R.A.A.F. construction group was permitted to undertake the major part of the work. The Department of Civil Aviation was responsible for the general provisioning of the R.A.A.F. and for installing the necessary technical facilities, e.g., radio aids and communication systems.

351. We were informed by the Auditor-General that the proper stores procedures had not been complied with in the construction phase of the project. The main irregularities mentioned were that insufficient procedures had been put into operation and that no storehouse was available for keeping the equipment once it was unloaded onto the Island.

352. A major point of criticism was that, although all the equipment consigned was adequately vouchered as it went into the ship (it was a special ship that had to be procured through the Department of Shipping and Transport), there was no check when it was landed on Cocos Island. Nor, in consequence, was there any record of its subsequent issue for use in the project.

353. The Department explained that because of the remoteness of Cocos Island and the impossibility of removing any stores from it, and because the operation had to be conducted with the maximum expedition, they decided that the most sensible procedure was to abandon any strict adherence to the Treasury Regulations—

“COMMITTEE MEMBER.—Your answers seem to indicate that there are occasions when you can carry out Treasury Regulations and the usual procedure, and there are other occasions when it is not practicable or sensible to try to give effect to them.—(Sir

* See Exhibit No. 23/80.
 † See especially Questions 1461-1463, where the discussion with the Director-General is recorded.
 ‡ See also paragraph 342 and footnote.

Richard Williams) That is right. Regulations are drawn up for normal and suitable occasions. However, there are occasions when things are abnormal and it would just be foolish to delay things in order to follow a regulation.”

354. Furthermore, the Department had to pay £1,000 a day demurrage for the ship while it was held 6 miles out off Cocos Island. Every available person was put to unloading the material so as to permit the ship to turn-round quickly. The Department stated that—

“There are, of course, no wharfing facilities for ships, which unload on to lighters which then carry supplies across 6 miles of lagoon and dump them on to a sandy beachhead. When a ship arrives, this task required the services of practically every man on the island and apart from involving long hours of arduous labour in a tropical climate, was not unattended by some hazard. Demurrage ran at £1,000 per day.

The available staff was fully engaged in the receipt and check of incoming consignments against vouchers, and then physically handling the items for direct issue to projects or placing into stock for later issue as required.

The introduction of precise storckeping procedures would have required the immediate construction of a stores building and the employment of a substantial part of the labour force in checking, sorting and packing stores on to shelves. The whole project was not viewed in the light that it could be geared to the stock-keeping procedure; certain vital tasks had to be undertaken to secure the maintenance of food and other essential services, including communications, and as soon as building supplies and other essential services, including construction sites and work commenced. The intrusion arrived, they were transported to construction sites and work introduced quite unacceptable delays in an urgent operational mission and would have been viewed by service personnel in much the same light as a stores inspection unit on a war-time beachhead landing.”*

355. The Department stated that a storehouse was built as soon as possible and that therefore the proper procedures were maintained. One irregularity mentioned to us was that as the various parts of the project reached completion, surplus stores were returned without being credited to the respective works authorities. It was consequently not possible to determine progressive costs: the only way of ascertaining the cost of the project was to deduct the value of surpluses and returned materials from the total cost of the project. It is the Department's view that the procedure of returning surplus stores was sensible in the circumstances, because the opportunity for misappropriation was negligible. The Department is satisfied that—

“subject to some ‘wastage’ which is inevitable in a project of this nature, all stores taken to the Islands were, in fact, used on projects there or remain in stock.”

356. Your Committee were informed that the position now is that the stores at Cocos are adequately protected from both weather and theft and that the Treasury has given approval to the acceptance of the stocktaking figure of October, 1954.

(d) DARWIN MAIN STORE.

357. The history of the Main Store at Darwin is in many ways similar to that of the Main Store at Perth. The first stocktaking was made in September, 1950, and we were advised that since that date “no further stocktake results had been advised to the Chief Auditor for concurrence in writing off deficiencies under competent authority”.

358. Your Committee were informed that the first stocktake, completed in September, 1950, was approved by the Treasury as a commencing stocktaking without reconciliation, in the same way as was the 1948 stocktake in Perth. A second stocktake was undertaken in 1953, and was completed on 30th May, 1953. However, that stocktake was regarded as unsatisfactory, largely, it appears, because staff difficulties made it impossible to complete properly.

359. During the time the Committee were receiving evidence last year, the stocktaking that had been carried out gradually throughout the stores was, we were informed, almost up to date. When the last of these stocktaking groups are completed and have been submitted to the Chief Auditor for consideration, a summary of the total result will be submitted to the Department's Head Office.

360. It appears that in the case of Darwin also, the stocktaking difficulties were not conveyed to Head Office with any degree of promptitude. Indeed, we understand that until the Auditor-General in Canberra gave Your Committee information about the Main Store at

* See Exhibit No. 23/31.

Darwin and its present deficiencies, the Head Office of the Department of Civil Aviation in Melbourne knew nothing of it. We considered that this was a matter of some importance and asked whether it was normal for such delays to occur—

Q 1541.

Q. 1538.

"COMMITTEE MEMBER.—Is it a situation that appears to call for a change in procedure? Should there be closer consultation between your regional men and your central administration and between the Audit Office and its regional men—(Sir Richard Williams) I do not think so. I think it should be settled on the spot if possible. There is nothing to indicate that that has not been done. It may be that it has been done and that the result will be satisfactory to the Auditor-General. If my regional director cannot meet the requirements of the Auditor-General, the matter will be referred to Head Office."

Q 1531-1535.

361. We have been assured that, in fact, these delays do not occur with any regularity, that the instances we have been considering are exceptions and that on the whole the regional system works satisfactorily. Your Committee are of the opinion that this situation has occurred so often that the conclusion might be drawn that the position is not as it should be. We consider that the Head Office of the Department should be more aware of the activities of its regional officers. Had the Head Office known earlier about the situation in both Perth and Darwin, the defects in financial procedures that have been reported on in the last two sections of this Chapter would surely not have been allowed to continue for so long. The situation in itself has been, in both instances, extremely unsatisfactory.

362. The Department told us, in extenuation, that all its operations in the Northern Territory are subject to difficulties peculiar to that area. The difficulties are associated generally with the attraction and retention of suitable staff. One example of the peculiar difficulties of Darwin is the inability of the Department to introduce there the mechanized stores accounting procedure operating in other Main Stores because there are no servicing facilities for the machines in Darwin. Another example is the extremely high rate of turn-over of staff in Darwin. The Department stated that—

"Over the twelve months period 30.6.55 our total turnover in Darwin was 257 in an average employment total of 245—in the Stores Branch it was 40 in an establishment of 81 positions. With conditions like this prevailing progress in any form of administration is difficult to achieve."²

Q 1534-1535.

Mr. Brown, Assistant Commissioner of the Public Service Board, confirmed the Department's statement about the staffing difficulties in Darwin and said that the Store itself was now in good order.

363. We quote the achievement of the departmental Stores Branch in Darwin in introducing modern methods and in developing a well laid out store. The Department stated that it has—

- (i) been the first Department in the Northern Territory to introduce modern methods, such as unit rilling and unit loading. As a result, we are approaching the stage where a continuous reconciliation can be made between the actual stock held and the ledger records after each stores transaction,
- (ii) developed a well laid out store in good accommodation which has been the subject of favourable comment by officers visiting it in recent months—these include officers from the Department of Works, Territories, the Audit Office, the Public Service Service Inspector, and the Department's own O. & M. unit.³

(c) A STORES TRUST ACCOUNT.

364. Many of the activities of the Department are developmental, and it is conceivable that a Trust Account, providing as it does a working balance that does not terminate at the end of each financial year, might make the Department's task easier. Other Departments handling large amounts of money or stores have used Trust Accounts, e.g., the Works Suspense Trust Account (Department of Works) and the P.O. Stores and Transport Trust Account (Postmaster-General's Department).⁴ Your Committee therefore asked the Department of Civil Aviation whether they consider that it would be useful to operate upon a Stores Trust Account for stores rather than upon a series of annual votes as at present.

Q. 1551.

365. Mr. Scott, Director of Finance and Stores, informed us that—
"It is a matter to which we have given some attention even before the Section 17 Report. But to establish a Trust Account you have to be in a position to operate it on a day-to-day basis and keep it up-to-date and accurate. The question is what objective have you in establishing a trust account? We actually charge our stores to the item in the Estimates which covers the anticipated use of the stores and it either comes into

² See Exhibit No. 23/55, paragraphs 5 and 8 respectively.
³ See for a discussion of these matters, the 1953 Report (Department of Works), pages 15-18 and especially paragraph 119; and the Twelfth Report (Postmaster-General's Department), pages 44-46, especially paragraphs 451-455 and 461-462.

stock or goes into use as a direct supply issue. There may be some transfers in these end uses subsequently. Personally I do not think they are very material particularly as between capital and maintenance votes, when examined in the light of the fact that so-called capital expenditure merely accumulates from year to year in the Estimates and it is really a fictitious figure in any case because credit is not taken to the vote for any disposals at all, any sales of surplus capital material, replacements of vehicles or plant, or any other assets covered by capital expenditure votes. So taking it in its perspective or any other diversions in the end use of materials that come into stock have no great significance. I do not think the figures could be too much in our case anyway, intrinsically.

The other aspect is whether you charge your purchases to your votes or your issues to your votes. The fact is that, as I interpret it, the Estimate is provided to charge expenditure to a legitimate vote at the time you spend the money and I think that is more or less indicated in the 13th Report of the Committee in speaking on the question of salary earned but not paid at the end of the financial year. The Committee made reference to things like pensions, in which that happens in quite large sums. So the time factor does not seem to be a justification for creating a trust fund, that is to say, the time when you use the stores in comparison with the time when you buy them.

The other aspect of a trust fund that I can think of is the question of the financial provision for purchasing. We do not find much problem there. We buy what we require. The estimated amount required is provided in the estimates and if we want to order in advance, as we have to do, stores which we will not be called upon to pay for until the next financial year, we obtain Treasury approval to do that.

I do not think we have any particular problems which make the establishment of a trust fund particularly attractive to us or of any particular advantage. In any event, on the practical side of it, we still have accounting problems. Our mechanized accounting is not quite fully established, and that relates only to our main stores. In addition to that we have those aerodrome stores we have been speaking about, and they are not on machines at all, so we are not actually in a position to operate it yet anyway. I think it would be quite a little time before we were able to do so, even if it was desirable. It would certainly take more administrative effort, we believe, to operate a trust fund than to continue with the present system. We have not closed our minds to it, but that is our present thinking on the matter."

366. Your Committee accept the reasons advanced by the Department for their unwillingness to institute a Stores Trust Account. It is not, in our opinion, a good argument against the establishment of a Trust Account that the accounting procedure of the Department is inadequate. Whether or not it is expedient to establish a Stores Trust Account, we consider it high time that the accounting, stores and costing systems of the Department were operating with an efficiency that would enable a Trust Account to be established, if expedient, or other close controls over stores to be maintained.

Q 1550-1555.

367. The Department informed us, naturally enough, that they had given no real thought to the amount of the advance that would be required for operating a Stores Trust Account.

Q. 1562.

CHAPTER XI.—MISCELLANEOUS SUBSIDIES ADMINISTERED BY THE DEPARTMENT.

(a) COST OF LIVING SUBSIDY ON COCOS ISLAND.

368. In section (c) of Chapter X, we described the stores problems associated with the establishment of a civil aviation aerodrome on Cocos Island. Another problem was connected with taking staff to and maintaining them on the Island.

369. In October, 1951, it was agreed at a conference between representatives of the Department, of Qantas Empire Airways, of the Shell Company and of the Public Service Board that common conditions of service should be prescribed for all staffs on the Island. Qantas Empire Airways undertook to cater for unmarried staff and to establish a village shop.

370. The catering agreement was that Qantas Empire Airways should charge the staff £2 2s. a week for board and lodging and that the employing authority would bear the additional costs involved for transporting food and materials to the Island. The Department approached Treasury with an estimate of the cost of the proposal, which it had obtained in the first place from Qantas Empire Airways, and which amounted to £9,700 per annum. The Treasury agreed to the arrangement in June, 1952.

371. The services made available by Qantas Empire Airways were commenced in August, 1952, but because costs have risen steadily since then, the approximate annual expenditure involved had risen to £24,600 by 1954-55.

372. Two matters have been raised for our consideration. The first is the question of the subsidy, the second the inaccuracy of the estimates of cost presented to the Treasury.

373. As to the subsidy, we consider that the arrangements made appear in all the circumstances to be reasonable. As to the estimate of cost, its inaccuracy could be the result of insufficient forethought at the time of preparation. Thus we were told that, in addition to the rising general cost level—

Q 1810. "COMMITTEE MEMBER.—Another factor which produced a considerable increase in costs over those estimated was that the labour required for cooking and serving meals and all other kitchen overloads were excluded from the original Qantas estimate'. Does that mean that the estimate was quite unreal?—(Mr. Anderson) That was the subject of quite a deal of discussion with Qantas. In the original estimate, we did not include the cost of the catering staff, because we took the view that Qantas would have to have a certain catering staff there to provide for passengers going through on the service. When they began to render accounts, they included a certain percentage of the salaries of those people, and argued that the requirement to look after single men must increase their catering requirement considerably above what it would be if they had to look after their own passengers only. We agreed with them that that was reasonable."

374. Your Committee agree that the inclusion of a portion of the cost of the enlarged catering staff in the contribution to be met by the employing authority is reasonable. The omission to take that factor into account when approaching Treasury with an estimate of the cost seems to us to indicate that there had been insufficient consideration of the issues involved.

(b) EXPENDITURE ON ADVERTISING.

375. The Department informed us that it has no regular programme of advertising, but that for some years past it has contributed £288 per annum to Gordon's Australasian Air Guide, in exchange for which the centre double page of the Guide is made available to it. The Department began the advertising in order to support the Guide at a time when financial difficulties made its existence precarious. We were informed that this small amount had made a considerable difference to its continued publication.

Q 1810. 376. It appears that the Guide would now be able to continue publication without the assistance of the Department of Civil Aviation. The Department would like to continue the payment because the publication provides the Department with useful information about air transport in Australia and because it contains a map that is useful to it.

Q 1832. 377. Since 1953 the Treasury has taken the view that the payment was not necessary, and the item was removed from the Estimates for 1955-56. The Department stated that it had received Ministerial approval to continue advertising in the Guide and that although no provision had been made in the 1955-56 Estimates—

"The Department has in no way changed its view that this advertisement is amply justified so that the matter will be the subject of further negotiations the necessity for which is regrettable in view of the small sum of money involved."

378. Your Committee regard this dispute between the Treasury and the Department of Civil Aviation as in itself nugatory; but we comment upon it because it shows how conflicts can arise between the policy Department and the Treasury, which has financial responsibility under the Treasurer for the compilation of the annual Estimates. The reasons adduced by the Department in favour of continuing its subsidy were—

- (i) that the map published in the Guide is of use to the Department, because it saves the Department preparing for itself the maps contained in the Guide; and
- (ii) that some promotion of the use of air mail and some appreciation of the safety measures taken by the Department at aerodromes is conveyed to the reading public.

379. Your Committee are inclined to agree with the view expressed by the Treasury Observer, Mr. Hibberd, that the payment to the publication of the Guide—

Q 1828. "... was not strictly advertising, but was a means of subsidizing this journal. If someone needs to subsidize this journal, it should be the airline operators rather than the Commonwealth. We agreed with the Auditor-General's views on that and expressed that view to the Department, but the Department would not accept it. Up to the 1955-56 Estimates, the money was still in the Estimates. When it came to this year we just left the item out. That means, of course, that we have to get together with the Department of Civil Aviation and try to settle our differences."

Q 1833-1834. 380. Your Committee consider that the purchase by the Department of a number of copies of the Guide is a fair means of expressing its appreciation of the Guide, and consider that an additional payment is now hardly warranted. If the payment is to continue, then we agree with the Treasury view that it should be expressed as a subsidy and not described as "advertising".

* See Exhibit No. 23/57.

We have already reported our understanding that the Guide no longer needs this assistance. q. 1828. Further, we note that the advertisement itself is acknowledged by the Department to provide very little return—

"COMMITTEE MEMBER.—I do not think Sir Richard would claim that it has any advertising value at all.—(Sir Richard Williams) We operate the whole of the airways system. Q 1835-1836.

COMMITTEE MEMBER.—But of what value is this journal as an advertisement for the Department of Civil Aviation?—(Mr. Anderson) It might have some propaganda value from a civil aviation point of view, but I do not think I would claim that as a commercial advertising proposition the benefits that accrue are worth £288."

(c) SUBSIDIES TO AERO AND GLIDING CLUBS.

381. The Department submitted to us an informative statement outlining the history of the subsidy to both aero and gliding clubs and the methods adopted for making payments to them. The statement is attached at Appendix No. 10.

382. The subsidies were first paid, to both aero and gliding clubs, before the war, and have been revised on a number of occasions since. The principles upon which the subsidies are paid are different. The subsidy paid to aero clubs depends upon the amount of flying done, while a lump sum is paid to gliding clubs.

383. The subsidies paid to both bodies are included in the Estimates under Division No. 71k, Item 1. The table below sets out the various elements in Division No. 71k, Item 1, and the vote and expenditure as they appear in the annual estimate for the year. The figures originally furnished by the Department* showed the "earnings" of the Aero Clubs and Flying Schools for each financial year. These did not agree in detail with the expenditure figures shown in the Estimates. Subsequently the Department provided us with actual expenditure figures and they are as set out in the following table:—

Year.	Subsidy to Aero Clubs and Flying Schools (a)				Gliding Club Subsidy.	Replacement Grant.	Division No. 71k, Item 1.	
	Clubs.	Flying Schools.	Total.	Celling Agreed To.			Expenditure.	Vote.
1951-52	£ 108,500	£ 1,900	£ 110,400	£ 110,000	£ 2,000	£ ..	£ 112,400	£ 129,000
1952-53	97,800	14,200	112,000	110,000	2,000	3,400	117,400	140,000
1953-54	110,000	8,000	118,000	(b) 110,000	2,000	4,300	126,300	130,000
1954-55	138,500	6,500	145,000	(c) 110,000	2,000	11,200	(d) 129,800	142,000
1955-56	..	..	..	145,000	..	..	..	175,000

(a) These figures are the payments made to the clubs and flying schools within the year in question, and therefore do not entirely correspond to the "earnings" figures quoted in Appendix No. 10.

(b) An amount of £18,800 was included in the Estimates.

(c) An additional expenditure of £10,000 (of which £16,800 was actually spent) was approved by the Treasurer in April, 1955, subject to equivalent savings on comparable items.

(d) Amount covered by a Supplementary Estimate for 1954-55 of £16,800, for subsidies to aero clubs and flying schools.

384. The Department explained that the subsidy includes a maintenance grant¹ that is payable to aero clubs only in respect of hours flown on approved training, and donuses to aero clubs and flying schools for approved pilots' licences issued to trained persons and renewed. In addition, the Department allows aero clubs free use of available accommodation facilities on Commonwealth aerodromes. While the Commonwealth accepts no legal obligation to make hangars and other accommodation available, it permits clubs to use accommodation not otherwise required and without charge. If there is more than one applicant for the available accommodation, the Department gives the tenancy to the body contributing most to the Commonwealth—

"COMMITTEE MEMBER.—The position is that you consider the ultimate advantage that may accrue to defence from the club and you do not want to interfere with a club that is already established.—(Sir Richard Williams) That is right. If one of our major airlines was a contender we might have to take a different view." Q. 1830.

385. In addition to the direct financial assistance given by the Department and the free use of available accommodation, the Department provides some assistance to aero clubs to purchase replacement aircraft. The Department told us that the amount of the payment for replacement aircraft is determined by recording a notional credit to the club of 10s. per hour flown. The credit is made available for use with the approval of the Minister as a contribution towards the purchase of approved replacement craft. The Commonwealth's

* See Appendix No. 10.

contribution is normally about ten-sevenths of the total replacement cost, the remainder being found by the clubs. The Department informed us that at 31st May, 1955, some £175,000 had been recorded in the replacement fund, of which £37,000 has been made available to the clubs.

Q 1210 386. The Department exercises a general control over the type of replacement craft being purchased by the clubs, and we were told that funds would not be made available unless the aircraft is of an approved type.

387. The Department assured us that the accidents that have recently been occurring at airfields used by aero clubs would not involve the Commonwealth in substantial extra expenditure out of the Replacement Fund. The reason is that "we will not assist with finance beyond the credit that has already been built up by the club concerned". The Department explained that the credit is built up by a club and not by the aircraft in question—

Q 1215. "If club A completes 1,000 hours flying, it has a credit of 10s. an hour or £500. The club comes to us and asks us to buy an aircraft and pay ten-sevenths of the cost. If the aircraft costs £17,000, we say 'No'. We will not pay more than the £500 and we do not go beyond that. Unless the club establishes a credit, it does not get the money. The clubs have been trying very hard indeed to get hold of the credit of 10s. an hour."

388. In 1950 Cabinet decided that the Commonwealth should give assistance to all licensed aero clubs on the basis that the Commonwealth would meet approximately 50 per cent. of the operating costs, with an over-riding limit on total expenditure of £100,000. In October, 1951, the Commonwealth entered into five-year contracts with the aero clubs that continued the existing arrangements. The over-riding limit on total expenditure was, by agreement between the Treasurer and the Minister for Civil Aviation, raised to £110,000 because of increased flying club activity.

389. It can be seen from the totals quoted in paragraph 388 above that the annual expenditure by the Department on the subsidy to aero clubs and flying schools has in each year since 1951-52 been in excess of the limit of £110,000 decided upon by the Minister. We asked the Director-General whether he could explain why the limit determined by the Government has so regularly been exceeded—

Q 1226. "COMMITTEE MEMBER.—The payment to aero clubs since 1951-52 appears to have been above the ceiling limit of £110,000. Can you explain why the limit determined by the Government has been exceeded?—(Sir Richard Williams) Flying training has increased from year to year. We make these payments monthly. We have no real control over the desire of young men and women—only men are concerned in this—to fly. Consequently, the amount of flying that is done by clubs is not spread equally over the year. You may get sports here and there. It has happened that in the second half of a year we find that we have already paid out about half of the grant, but the payments are growing and it looks as though we shall exceed the £110,000. I should say that when Cabinet allowed us £110,000, they said there was to be no increase without the approval of the Treasurer. So we put the matter to the Minister, who goes to the Treasurer, and we get the additional amount."

Q 1227. We understand that a new system is now in operation, in accordance with which the payments will not exceed in total the Estimate figure. If it is possible to limit expenditure in 1955-56, it should have been possible in previous years.

390. The Department stated that they consider the Commonwealth is receiving full value for the £150,000 spent annually in subsidizing aero clubs. We were told that the main reason for paying the subsidy is that the clubs make a contribution to the defence preparedness of the Commonwealth—

Q 1222. "COMMITTEE MEMBER.—You think that good value is being received for the money expended?—(Sir Richard Williams) I think so. The value that the Commonwealth will receive is related directly to the outbreak of war or an emergency."

Q 1225. 391. We sought from the Department advice whether the provisions of the Treasury Regulations and Instructions are being observed in the course of payments of subsidy to aero and gliding clubs. Although it is the Department's view that it takes reasonable precautions in making payments to the clubs, the answer to our question depends upon how the regulations regarding the certification of claims for payment are interpreted. What the Department requires is that an appropriate authority (usually the Manager of the Club) should apply for payment, making out a statutory declaration that the hours have been flown and the licences issued as stated in the claim. The Department has liaison officers whose job it is to keep in touch with aero clubs. Regular inspections of aircraft and equipment of the clubs are made by Inspectors of the Department and in addition licensed ground engineers of the clubs are made by Inspectors of the Department "make separate checks on their own anywhere and everywhere".

392. The Treasury representative told us that he did not think that the Treasury would have any specific view about the situation—

"(Mr. Cox) I do not think we would be required to inquire into the matter of a departmental administration to such detail as that. The Treasury Regulations provide that a certifying officer shall satisfy himself that an account is correct and that the service has been properly rendered. He must necessarily depend upon certificates that are provided by departmental officers. His responsibility would be to satisfy himself that those certificates were adequate."

393. However, the Auditor-General's comment was that, while he considered that the payments made to the Gliding Club Federation were satisfactory, he did not consider that the claims submitted by the aero clubs were sufficiently checked—

Q 1247-1248. "As far as the gliding clubs are concerned, we are satisfied; we have no query to raise whatever. With regard to the aero clubs, this question has been under consideration for approximately two years, and we are not satisfied. An examination by audit inspectors has revealed errors in the claims, and we have pressed the Department to increase its check, or test check, to ensure a greater degree of accuracy. The Department has done something towards that end, but there is still an element of risk in that the internal check that is made by the Department does not come up to the standard that we should like."

COMMITTEE MEMBER.—Do you think that the Department could bring it up to the standard that you would like?—(Mr. Brophy) It is all a question of staff.

COMMITTEE MEMBER.—As Sir Richard Williams has stated, the question is whether it would be really worth the expenditure?—(Mr. Brophy) Yes. We ourselves, and the Department, are prepared to take calculated risks in matters of this kind, but perhaps—(Sir Richard Williams) Up to the present, we feel that we have followed the practical method. We have made representations on these lines to the Treasury."

394. Your Committee consider that this is a matter that should be investigated. If in fact the safeguards adopted by the Department are inadequate to protect the public funds of the Commonwealth, then measures should be taken at once to have proper safeguards instituted. However, we realize that up to a point a Department must, in matters like this, be "prepared to take calculated risks", and we are far from suggesting the institution of safeguards involving unnecessary additional expenditure of time and labour.

CHAPTER XII.—CONCLUSIONS.

THE LEGAL ASPECT.

1. The Commonwealth has no general power over civil aviation. Its powers vary according to the field in which the legislation is to apply (Paragraph 7)—
 - (i) Section 92 probably prevents the rationalization of Air Services; (Paragraphs 10-12.)
 - (ii) The original uniform legislation passed by the States has been amended by some States. (Paragraph 9.)
2. The authority exercised by the Department is conferred by Regulations. We consider that this authority should be conferred by Statute. (Paragraphs 13-15.)

DEFENCE.

3. The civil airways system contributes considerably to the defence preparedness of the Commonwealth. (Paragraphs 17-18.)

STAFF.

4. The Establishment of the Department has been reduced from 5,518 in 1951 to 5,177 in 1955 and the actual staff from 5,358 to 4,913. (Paragraphs 20-22.)
5. Your Committee were assured that the O. & M. Section of the Department has played a significant part in improving the quality and reducing the cost of management of the Department. (Paragraphs 25-27.)

HISTORY AND ORGANIZATION.

6. After the first Goya Henry case (1936) a Civil Aviation Board superseded the Controller of Civil Aviation. (Paragraph 6.)

* R. S. Statutory Rules No. 112 of 1947, as subsequently amended.
† R. V. Burgess, ex parte Henry, 55 O.L.R. 508.

7. In 1939 a Department of Civil Aviation was established under the control of a responsible Minister. (Paragraph 6.)

8. The functions of the Department include—

- (i) regulating powers, e.g., to promote the safety of civil aviation; (Paragraphs 5, 33.)
- (ii) servicing duties, relating to construction and maintenance of aerodromes; (Paragraph 33.)
- (iii) review of the results of investigations into accidents, and the hearing of appeals against suspension and cancellation of licences. (Paragraph 34.)

9. By a recent amendment of the Air Navigation Regulations* the functions of review and appeal are made subject to appeal to a Board of Review. (Paragraphs 36, 38.)

10. While the Board of Review is a safeguard against the concentration of administrative, executive and judicial functions in the Director-General, Your Committee point out that—

- (i) no recourse is provided to the ordinary courts; (Paragraph 38.)
- (ii) the powers of the Director-General largely derive from Regulations, promulgated under the scanty provisions of the Air Navigation Act 1920-1947. (Paragraphs 16, 38.)

11. The Parliament has not had for many years the opportunity to discuss the provisions of the Air Navigation Act. Your Committee consider that a suitable measure should be brought before the Parliament at the earliest opportunity. (Paragraph 42.)

VALIDITY OF THE FEES CHARGED.

12. The Air Navigation Regulations empower the Director-General to levy fees for issuing and reviewing various licences and certificates under Order (Paragraph 44)—

- (i) These Regulations are probably invalid insofar as they confer an unfettered discretion upon the Director-General. (Paragraph 45.)
- (ii) Your Committee were told that no Orders have as yet been issued. Consequently, it is likely that any fees levied to date have been levied without proper authority. (Paragraph 46.)

13. Your Committee consider that the legality of the Regulations (which were made in 1947) should be established, and that proper authority should be sought for the right to levy fees.† (Paragraph 47.)

COST OF THE DEPARTMENT.

14. The Departmental estimates for the maintenance and operation of civil aviation facilities (Division No. 71) include £250,000 formerly included in Works Estimates (Division No. 76). (Paragraph 53.)

15. (a) This transfer results from a new arrangement between the Department and the Department of Works by which the Department is allowed to carry out minor works and repairs. (Paragraph 54.)

(b) The Department regards this as a valuable concession which enables it to do minor jobs more expeditiously and more economically than if it had to wait for the Department of Works. (Paragraphs 55-56.)

16. It is noted that the Department has a large staff spread over its fields and navigation posts that includes electricians and engineers. It is possible to use that staff to carry out the minor jobs mentioned, without the necessity for the employment of additional staff. (Paragraphs 29-31, 54-56.)

17. It seems to Your Committee that the system whereby the Works Department is usually made responsible for the design, estimates of cost, and supervision and execution of all architectural and engineering works for the Commonwealth may be unnecessarily time-consuming and costly. (Paragraphs 54-55.)

STATEMENT OF REVENUE AND EXPENDITURE.

18. The Department does not normally prepare a statement of revenue and expenditure similar to that prepared specially for the Committee. (Paragraph 61.) Your Committee consider that such a statement should be prepared annually. (Paragraph 68.)

* No. 119 of 1954.
† The understand that new Regulations (No. 16 of 1956) promulgated under the Air Navigation Act 1920-1947 have now rectified the position as regards validity. The scale of fees is to be specified in the Air Navigation Orders.

BALANCE-SHEET.

19. The Balance-sheet is not a satisfactory statement and has not been taken out in the past. (Paragraph 70.)

20. Your Committee consider that the Balance-sheet should be revised and submitted to the Parliament when the statement of Revenue and Expenditure is presented. (Paragraphs 70-74.)

ESTABLISHMENT OF AERODROMES.

21. The Government aims at owning all civil aerodromes in regular use for airline operations. (Paragraph 76.)

22. The programme of development is governed by such factors as potential use, availability of alternate means of transport, availability of men and materials, the needs of the Commonwealth as a whole. (Paragraph 87.)

23. The location of the aerodrome and its development by the Department depend upon the volume and character of the traffic to be carried. (Paragraphs 77-78, 84-87.)

24. When developing aerodromes in country areas the Department takes the D.C.3 or substitute craft as its standard. (Paragraph 80.) To provide aerodromes in country areas for heavier aircraft, e.g., Viscounts, involves substantial extra expenditure for construction and maintenance. (Paragraphs 80-81, 82.)

THE PART OF LOCAL AUTHORITIES.

25. Local authorities may select and construct aerodromes, but experience has shown that where they think that a case exists they expect the Department either to assist them or take the aerodrome over. (Paragraphs 91-93.)

26. The Department's policy, however, does not encourage local authorities to construct aerodromes and Your Committee believe that this policy should be carefully reviewed. (Paragraphs 94-98.)

27. The Department believes that in the long run Departmental ownership of aerodromes is more economical and makes for greater efficiency. (Paragraphs 95-96.)

SYDNEY.

28. More money has been spent on Mascot than on any other aerodrome. (Paragraph 99.) While existing expenditure of £8,500,000 is less than expenditure upon aerodromes overseas (Paragraphs 101-102)—

- (i) The original estimate of cost of the first stage of development of Sydney Airport was £5,000,000, and the work was to be completed by 1952. The work is not yet completed and has cost £8,500,000. (Paragraph 104.)
- (ii) The total cost of the first two stages of development, which include the construction of an overseas terminal estimated to cost £2,000,000, will be £10,500,000. (Paragraph 106.)

29. Your Committee consider that the way in which these Estimates were made and altered does not reflect credit upon the Department. (Paragraphs 108, 109, 112, 115.)

30. We were surprised at the attitude shown by the Director-General to the failure of the Department of Works to supply statements of progressive costs of the developmental projects of the Department of Civil Aviation. (Paragraphs 108, 112-113.)

31. Far from its being construed as an interference with the functions of the Department of Works, insistence upon these reports should be seen as an essential, indeed an indispensable requirement from a constructing authority to its principal. (Paragraphs 113-114.)

32. Your Committee record with satisfaction that the Treasury has now arranged that when any works estimate is exceeded by 10 per cent. or £2,000 the Treasury must be immediately informed and approached for the necessary funds by the sponsoring Department. (Paragraphs 113-114.)

ACQUISITION PROGRAMME.

33. The Department of the Interior acquires land on requisition from the Department of Civil Aviation. (Paragraph 118.)

34. Such acquisitions are usually negotiated without recourse to compulsion. (Paragraph 118.)

35. Many acquisitions are made before the Department is ready to use the land: in some cases for future development and in others to avoid paying inflated values. (Paragraphs 121-128.)

36. The land at Eagle Farm (Brisbane) will probably not be used by the Department of Civil Aviation for ten years: the Department of Civil Aviation considered the land should be acquired for expected development. The price paid was £17,500. (Paragraphs 121-124.)

37. Land at Bankstown (N.S.W.) was acquired during 1951-52 at £55,000 to put down a runway which would not be constructed until 1958-59. (Paragraphs 125-127.)

38. For Newcastle, the area being considered for acquisition is 2,000 acres, of which only 1,400 will be needed. The acquisition has not proceeded because of the excessive price asked by the vendor, and because of the expensive nature of the construction. (Paragraph 128.)

DELAYS AND ERRORS IN ESTIMATING.

39. Since 1952-53 the Department of Civil Aviation has underspent its vote for acquisitions. (Paragraph 130.)

40. Your Committee were told that the Department of Civil Aviation had not the faintest idea whether money voted would be spent within the financial year. This unconcern with finance is characteristic. (Paragraphs 131-132.)

41. Your Committee noted that the Department of Civil Aviation placed more requisitions with the Department of the Interior in the second half of the financial year than in the first half. (Paragraph 134.) We inquired what action had been taken to obviate delays in acquisition because—

(i) the present practice embarrasses the Department of the Interior, which cannot possibly deal with all the requisitions lodged during the financial year; (Paragraphs 134, 138.)

(ii) a large part of the Estimates for the financial year now represents re-votes. (Paragraph 140.)

42. We are not satisfied with the explanations given by the Department in relation to acquisitions. (Paragraphs 136-137.)

43. Having regard to the existing procedures—

(i) the whole Estimates may represent re-votes; or

(ii) the vote may contain a list of acquisitions that does not represent what will be acquired; and

(iii) it is hardly possible for the Minister to tell a questioner what land is likely to be acquired and when. (Paragraphs 141-142.)

44. We note that the Treasury has recently instituted a procedure designed to eliminate certain of the delays. (Paragraph 135.)

BUILDINGS ON AERODROMES.

45. The Government policy in force since 1949 is to own all buildings on aerodromes. (Paragraph 144.)

46. The policy is not consistently pursued. The Department has acquired from operators buildings to the value of £335,000, and is acquiring others valued at £328,000; after six years there yet remain to be acquired buildings valued at £146,000. (Paragraph 146.)

47. Further funds for this purpose were not made available during 1954-55. (Paragraph 147.)

48. Operators are spending large sums on buildings and terminals without any assurance that they will later recover that expenditure. (Paragraphs 148, 152, 158, 160, 165.)

49. Your Committee consider that the present policy should be re-examined, and a more realistic approach made especially in the case of overseas operators. (Paragraphs 148, 153, 160, 166-167.)

50. Your Committee have been informed that the rental charged by the Department for buildings owned by it and leased to operators (in pursuance of arrangements made by the Departments of the Interior and Treasury) in most cases covers outgoings. (Paragraphs 168-169.)

PROVISION OF RUNWAYS.

51. In the capital cities of the Commonwealth, the runways conform to international standards. (Paragraph 171.)

52. In the country, the D.C.3 is the datum. (Paragraph 172.)

53. The cost of sealing a gravel runway is approximately £100,000; but to construct and seal a runway on an unprepared aerodrome may cost £1,000,000. (Paragraph 173.)

FIRE SERVICES AT AERODROMES.

54. Much equipment is obsolete. (Paragraph 184.)

55. Replacement is being arranged in consultation with the Departments of Air and Supply. (Paragraph 184.)

56. The Department of Civil Aviation acted in this matter without considering the needs of other Departments. (Paragraphs 184-185.)

57. The provision on the Estimates for equipment has been haphazard. (Paragraph 186.)

58. Your Committee feel that the legal liability of the Department to operators for fire damage should be examined and clarified. (Paragraphs 191-193.)

AIRWAYS SYSTEM.

59. Estimates for capital services are as inaccurate as other Estimates examined. (Paragraph 201.)

60. The cost of aids to flying and navigation is very considerable to both the Department and the operator. (Paragraphs 199, 204.)

61. It is sometimes difficult to fit in the cockpit of existing planes all the equipment now being provided. (Paragraphs 205-207.)

62. The various people interested in aviation consider that the equipment now installed in aircraft is satisfactory. (Paragraphs 209, 219.)

63. Your Committee were told that the air-ground communication facilities now provided by the Department of Civil Aviation are satisfactory. (Paragraph 217.)

64. Charges for meteorological services should be rationalized. (Paragraphs 221-222.)

65. We recommend that consideration should be given to the training of specialized forecasters in order to extend and improve forecasts. (Paragraph 226.)

66. The basis of the charge made by the R.A.A.F. for air search should be reviewed. (Paragraphs 229-232.)

67. The question of inter-departmental charges should be re-examined. (Paragraphs 223, 230, 232.)

AIR NAVIGATION CHARGES.

68. Users of airways systems should pay charges based on the costs involved and the services provided; not in terms of the gross revenue obtained. (Paragraphs 239-241.)

69. Despite improved facilities and increased costs of installing and maintaining equipment, the charges to operators have never been revised. (Paragraphs 246-249.)

70. Charges should be based upon actual and identifiable services provided by Commonwealth Departments. (Paragraph 249.)

71. The delay in revising the scale of air navigation charges is difficult to understand or condone having regard to the fact that the *Air Navigation (Charges) Act 1952* was assented to three and a half years ago. (Paragraph 252.)

72. If petrol tax is calculated as part of the companies' contribution for the services provided, the fact that turbine-engined planes use kerosene instead of petrol imposes a differential charge on companies according to the fuel used. (Paragraphs 250-252.)

JOB COSTING.

73. Job costing has been subordinated to the development of the airways system. (Paragraph 258.)

74. Consequently the Department has not had the basic data upon which to compute charges for facilities provided. (Paragraphs 253-257.)

75. The Department committed an error of judgment in failing to institute an effective job costing system, which would have helped it to know whether or not the funds provided by the Parliament were being economically and efficiently spent. (Paragraphs 259-261.)

AIR MAIL CONTRACTS.

76. For domestic operators air mail is a useful source of revenue; for international operators it is essential to existence. (Paragraph 265.)

77. Air mail services are provided by operators—

(i) for 'well-established' routes; (Paragraph 268.)

(ii) to outlying areas where no other regular transport exists (Paragraphs 269-272); and

(iii) for special mail such as diplomatic mail inside and outside Australia. (Paragraphs 275-277.)

78. The amount of payment varies according to the type of area served and the character of the service. (Paragraphs 268-279.)

79. Your Committee consider that the present arrangements for carriage of diplomatic and safeland air mail within Australia should be reviewed. (Paragraphs 278-280.)

METHOD OF COMPUTING AIR MAIL PAYMENTS.

80. For 1954-55 air mail revenue is estimated at £3,715,000 and expenditure at £3,508,000. (Paragraph 285.)

81. The Department has not collected or analysed data by which the real cost of carrying air mail could be determined, and is therefore unable to say whether higher payments to operators are warranted. (Paragraphs 287-293.)

82. Care should be taken to continue the inclusion of information now shown in Divisions Nos. 72 and 73 when these entries are transferred to the Postmaster-General's Department Estimates. (Paragraphs 283, 65.)

83. Comparisons of payments made to operators in other countries are inapplicable because of the great dissimilarity in conditions. (Paragraph 294.)

84. The Department believes that payers should be above the rate paid for air-freight, and this is the case for the carriage of first class domestic air mail. (Paragraphs 295-298.)

85. From all the information we were able to obtain, we consider that the rates paid are appropriate, a circumstance reached haphazardly rather than by calculated design. (Paragraph 299.)

86. As to the methods used by the Department in connexion with payments to operators for carriage of air mail, Your Committee are of the opinion that—

(i) the method used for ascertaining the appropriate rate of payment to operators could be improved; (Paragraph 299.)

(ii) the method used for computing the amount of the payment to operators is satisfactory. (Paragraphs 300-302.)

IS THERE A SUBSIDY?

87. There is an element of subsidy in payments made for carrying mail on developmental services. Operators claim, however, that the payments now made are inadequate. The Department of Civil Aviation agrees. (Paragraphs 269-274, 306-307.)

88. Major operators are paid .05d. per pound/mile for the carriage of domestic mails. (Paragraphs 268-308.)

89. The rate of 4 gold francs per tonne kilometer is paid to international operators and is determined by the International Postal Union. (Paragraph 316.)

90. On the Sydney-London service the Department pays Qantas Empire Airways at the rate of 3.99 gold francs per tonne kilometer, a rate fixed after consultation with the United Kingdom Government. (Paragraph 316.)

91. The international rate is roughly one that the traffic will bear. (Paragraph 317.)

92. Whether or not the payments made to international operators contain an element of subsidy cannot be answered decisively because the Department has not collected the necessary data. (Paragraphs 317-323.)

93. Your Committee consider that, before a "subsidy" is paid to an operator, the Department should be satisfied that the subsidy is justified, having regard to the efficient conduct of the operator's business. (Paragraphs 324-325.)

STORES.

94. Shortage of staff and proper equipment are the reasons for the Department's failure to provide a Stores Vocabulary and Stores Instructions soon after the war. (Paragraphs 326-330.)

95. The position has now improved but Your Committee are surprised that this improvement was not significant until the latter part of 1955. (Paragraph 333.)

96. The printing of the Stores Instructions is long overdue, and should be put in hand promptly. (Paragraphs 334-335.)

Western Australia Store.

97. The methods of stocktaking at the No. 5 Main Store—Western Australia—were condemned by the Chief Auditor of the Auditor-General's Department, Perth, in July, 1953. Nevertheless, the Regional Director of the Department of Civil Aviation went on with the stocktake. (Paragraphs 337-340.)

98. The Chief Auditor refused to agree to writing off the discrepancies in the stock revealed by the stocktake. (Paragraph 340.)

99. The Department of Civil Aviation became aware of the situation at the end of 1953 and in 1954 instructed the Regional Director to adopt approved practices, an instruction that was not obeyed until May, 1955. (Paragraphs 341-342.)

100. Your Committee consider that the handling of the Perth Store deserves censure. (Paragraph 343.)

101. Although we were informed that there was no evidence that the Commonwealth had suffered any loss, we note with interest that stocktaking procedures were revised as a result of the Regional Director's failure to carry out those procedures. (Paragraphs 344-346.)

Cocos Island Stores.

102. In 1950 the Government decided to reconstruct the air field on Cocos Island for use in flights across the Indian Ocean. (Paragraph 349.)

103. The Auditor-General told us that proper stores procedures had not been followed during the initial construction of the project. There was also no store-house for protecting the equipment unloaded on the Island. (Paragraphs 351-352.)

104. Having regard to the conditions under which stores had to be unloaded and used on the Island, Your Committee are satisfied that the departures from the Regulations were unavoidable and did not result in any loss of stores. Adequate protection against bad weather and theft now exists. (Paragraphs 353-356.)

Darwin Main Store.

105. The conditions at Darwin were very like those at the Main Store at Perth. (Paragraph 357.)

106. The first stocktake was made in September, 1950, a second in 1953, but the methods used were inadequate. (Paragraphs 357-359.)

107. When Your Committee were taking evidence in August last year they were told that an approved stocktake was being completed. (Paragraph 359.)

108. As with Perth, the Head Office in Melbourne were unaware of the stock deficiencies in Darwin until an investigation commenced. We are assured that steps have been taken to prevent a recurrence of the difficulties mentioned. (Paragraphs 360-361.)

109. In extenuation of the unsatisfactory administrative conditions referred to, Your Committee were told that the Department's staff turnover in Darwin during 1954-55 was 257 in an average employment total of 245: in the Stores Branch it was 40 in an establishment of 31 positions. (Paragraph 362.)

110. The present satisfactory condition of the Stores at Darwin is indicated by the fact that the Department's Darwin Store—

(i) has been the first to introduce these such modern methods as unit piling and unit loading; (Paragraph 363 (i).)

(ii) has developed a well laid out store that has been favorably commented upon by the Audit Office, the Public Service Board and the Works Department, amongst others. (Paragraph 363 (ii).)

STORES TRUST ACCOUNT.

111. Your Committee discussed the desirability of establishing a Stores Trust Account to avoid the difficulties of surrendering balances of funds at the end of the financial year. (Paragraphs 364-365.)

112. The Department considered that there were no substantial advantages to be derived from such an action, and with this opinion Your Committee concur. (Paragraphs 365-366.)

113. Your Committee have yet to review the case for and against Trust Funds throughout the several Commonwealth Departments. (Paragraph 366.)

114. In so far as the Department of Civil Aviation is concerned, Your Committee consider that far too long a time has elapsed in installing an efficient system of accounting and costing, and of stores control. (Paragraph 386.)

MISCELLANEOUS SUBSIDIES ADMINISTERED BY THE DEPARTMENT.

Cost of Living Subsidy at Cocos Island.

115. The arrangements made by the Department of Civil Aviation in collaboration with the Public Service Board, Qantas Empire Airways and the Shell Company for maintaining common conditions on the Island are satisfactory. (Paragraph 373.)

116. The original estimate of the annual subsidy for the cost of catering, &c., was £9,700 and was agreed to by the Treasury in June, 1952. By 1954-55 the annual cost was £24,600. The inaccuracy of the estimate was the result of general price rises, but also of an insufficient examination of all the factors involved. (Paragraphs 370-374.)

EXPENDITURE ON ADVERTISING.

117. For some years the Department has paid £288 per annum for some advertising space in *Gordon's Australasian Air Guide*. (Paragraph 375.)

118. The Department wishes to continue the payment but the Treasury omitted this item in the Estimates for 1955-56. (Paragraphs 376-377.)

119. This action by the Treasury illustrates one view of its powers, and with this view Your Committee agree. The other view is that the Treasury should merely be the agency for providing the funds that Departmental Ministers desire to spend. (Paragraphs 378-380.)

120. This item of £288, which all the parties agree is less an advertising item than a subsidy, is hardly worth arguing, but usually the principle involved in the case is resolved by the Minister affected seeking to make the inclusion of the amount in the Estimates a Cabinet direction to the Treasurer. (Paragraphs 377-378.)

Subsidies to Aero and Gliding Clubs.

121. Subsidies to aero and gliding clubs were paid before the war; the basis of assistance was revised in 1950 and in October, 1951, five year agreements were entered into with the aero clubs. (Paragraphs 382, 388.)

122. The Commonwealth assistance was designed to meet approximately 50 per cent. of the operating costs of aero and gliding clubs. A maximum annual amount of £110,000 was determined by the Treasurer and the Minister for Civil Aviation. (Paragraph 388.)

123. This sum has been persistently over-spent since 1951-52 and the annual payments now amount to approximately £150,000. The Director-General considered that the money was well spent, and he obtained additional funds from the Treasury to meet the subsidy. (Paragraphs 383, 389-390.)

124. Replacement contributions are limited to the total sum earned by the club. That sum is the product of a credit of 10s. per hour flown by the club. Usually the Commonwealth contributes ten-sevenths of the total replacement cost and will not make the credit available until the club has earned a credit approximating ten-sevenths of the total cost of the new aeroplane. (Paragraph 385.)

125. Although the Auditor-General is not satisfied with the check made of claims by aero clubs, he believes the payments to the Gliding Club Federation are satisfactorily controlled. (Paragraphs 391-393.)

126. Your Committee recommend that the safeguards for the expenditure of these funds should be reviewed, but we do not believe that comprehensive checks should be imposed that are either onerous or expensive in relation to the sums involved. (Paragraph 394.)

PERSONAL.

Senator I. E. Wedgwood was elected to Your Committee in October, 1955, vice Senator S. D. Faltridge, just as the examinations of witnesses in connexion with this Inquiry were drawing to a close. Senator A. M. Benn, Mr. L. H. Barnard, M.P., and Mr. J. F. Cope, M.P., were not Members of the Second Committee, being elected, with the other Members of the Third Committee, early in the first Session of the Twenty-second Parliament. (Details of the Membership of the Second and Third Committees are set out on page 2 of this Report.)

All the Members who have not sat with Your Committee during the whole of the time we were receiving evidence have had an opportunity to review that evidence and accept the substance of the Report, except in the case of Senator Benn, a Note from whom is printed below.

F. A. Bland
A. V. Thompson

On behalf of the Committee,

F. A. BLAND, Chairman.

A. V. THOMPSON, Vice-Chairman.

Peter H. Bailey
PETER H. BAILEY, Secretary,

Parliament House, Canberra, A.C.T.

31st May, 1956.

NOTE BY SENATOR BENN.

The Third Parliamentary Joint Committee of Public Accounts, of which I am a Member, was appointed on 22nd February, 1956.

Prior to the appointment of the Committee, a previous Committee took evidence concerning the affairs of the Department of Civil Aviation.

I was able to attend only one meeting of the Committee during which this evidence was considered.

31st May, 1956.

A. M. Benn
A. M. BENN.

APPENDIX No. 1.
Report Para. No. 2.
Exhibit No. 23/2.

DEPARTMENT OF CIVIL AVIATION.

LEGAL POWERS IN RESPECT OF AIR NAVIGATION AND LICENSING OF AIR SERVICE OPERATIONS.

A. Sources of Legal Power in respect of Air Navigation.

As aviation was in its infancy at the time of the federation of the Australian colonies into the Commonwealth of Australia, it is not surprising that there is no direct reference to civil aviation or air navigation contained in the sections of the Commonwealth Constitution setting out the powers of the Commonwealth Parliament.

The first Commonwealth Act applying to civil aviation was the *Air Navigation Act 1920*, which authorized regulations to give effect to the Paris Convention (since superseded by the Chicago Convention) and for the control of air navigation generally. In 1938, the validity of the Act and the Regulations thereunder was challenged in the High Court in the first *Goya Henry* case (55 C.L.R. 608 (1939)). The High Court held firstly, that Parliament could under the external affairs powers authorize the making of regulations to give effect to the Convention but that as the regulations then in force included substantial deviations from the Convention they could not be sustained under that power. The High Court also held that the Commonwealth did not have power to exercise general control over all classes of air navigation and in particular over intra-State air navigation and that since expression "control of air navigation" was not severable this limb of the regulation making power was invalid.

Following the decision the Commonwealth amended the *Air Navigation Act* and issued a fresh set of Regulations. The practical result was that the Commonwealth Regulations no longer purported to extend to intra-State air navigation, except to the limited extent necessary to give effect to the Paris Convention. The validity of the Act as amended and the new Regulations was subsequently upheld in the second *Goya Henry* case (81 C.L.R. 624 (1939)). Concurrently with initiation of these amendments the Commonwealth convened the historic aviation conference with State Ministers to consider means to ensure that uniform rules would apply to all classes of air navigation within Australian territory. All States agreed to enact in uniform terms State Air Navigation Acts, which would adopt the Commonwealth Air Navigation Regulations as State law.

Each of these State Acts—

- (1) provided that the regulations from time to time in force applicable to and in relation to air navigation within the Territories should apply *mutatis mutandis*, to and in relation to air navigation within that State;
- (2) vested the administration of the Regulations in their application to intra-State air navigation by virtue of the State Act in the Commonwealth authority; and
- (3) provided that all fees payable under the Regulations in their application to intra-State air navigation by virtue of the Act should be paid to the Commonwealth.

The practical result is that the Commonwealth Air Navigation Regulations apply uniformly to all classes of air navigation and their administration whether as Federal or State law is vested exclusively in the Director-General of Civil Aviation.

It should also be noted that the Commonwealth Air Navigation Act has been subsequently amended on several occasions and is now cited as the *Air Navigation Act 1920-1950*. In its present form, it provides (sec. 5 (1)) that the Governor-General may make regulations—

- (a) for the purpose of carrying out and giving effect to the Chicago Convention on International Civil Aviation concluded on 7 December, 1944 and the provisions of any amendment of the Chicago Convention made under Article 94 thereof and for the purpose of carrying out and giving effect to any other international convention or agreement relating to air navigation to which Australia is or becomes a party;
- (b) prescribing all matters—
 - (i) in respect of air navigation which are necessary or convenient to be prescribed in relation to any matter with respect to which the Parliament has power to make laws; or
 - (ii) which are necessary or convenient to be prescribed in respect of air navigation within any Territory of the Commonwealth or to or from any such Territory.

It will thus be seen that the scope of the regulation making power in the *Air Navigation Act* is governed by the "external affairs" power, and the power to legislate for the government of the Territories and that in addition there is a general power (sec. 5(1)(b)(i)) which is designed to confer powers on the Executive to regulate air navigation in the widest terms in which they could validly be conferred under original and referred legislative powers.

Licensing of Air Service Operations.

(a) *International Air Services*.—An international air service requires a licence issued by the Director-General in pursuance of regulation 108 of the Air Navigation Regulations and a Department has been responsible for negotiating bilateral air transport agreements with the following countries: Canada, Egypt, India, Italy, Lebanon, Netherlands, Pakistan, Philippines, Portugal, United States of America and United Kingdom. In addition Article 13 of the Treaty with Japan confers certain rights for a period of four years. Negotiations are also pending to revise several of these agreements and for agreements with Japan and Germany.

(b) *Interstate Services*.—At present the Director-General is required under regulation 199 (2) to issue a licence for an interstate service, subject to compliance with the Air Navigation Regulations and such additional conditions as the Director-General considers necessary to ensure the safety of the aircraft and of the persons to be carried by the aircraft. The decisions of the High Court in the 1955 State Transport cases indicate that the Director-General's discretion to attach safety conditions to interstate licences may have to be further restricted and amendments for this purpose are at present being examined by the Attorney-General's Department.

(c) *Interstate Services with stopping places or a terminal in the Territories*.—The Director-General may under regulation 199 (2a) grant or refuse a licence for these types of the condition that the aircraft shall not land in the Territory unless such conditions as the Director-General considers necessary are complied with.

(d) *Territorial Services*.—In the case of services wholly within a Territory, between two or more territories or between a State and a Territory (not being also an interstate service) the Director-General has a discretion to grant or refuse the licence or grant the licence subject to such conditions as he considers the case requires (regulation 199 (3)).

(e) *Intra-State Services*.—Regulation 199 (3) empowers the Director-General to issue licences upon such conditions, in addition to compliance with the Regulations, as he considers necessary or he may refuse to issue a licence. This general power is applied to intra-State air services by virtue of the Uniform State Acts outlined above. Most States also require a licence issued by their transport regulation authority to be held by certain aircraft engaged in commercial operations within a State. In practice close liaison is maintained between the Director-General and the respective State licensing authorities.

New South Wales.—The State Transport (Co-Ordination) Amendment Act 1947 No. 23 makes the issue (where required) of a licence under the State Transport (Co-Ordination) Act 1931-1952 a condition precedent to the issue of a licence under the Air Navigation Regulations.

Victoria.—Transport Act 1951 No. 6549 Sec. 10, provides for power to grant or refuse an application for a commercial aircraft licence and attaching of conditions to licences. The obligations to obtain the Commonwealth and State licences are concurrent. Both sets of requirements must be satisfied before conducting commercial operations.

Queensland.—State Transport Facilities Act 1948-1959 Part V, Division II, relates to air transport. The Commissioner for Transport may prohibit the carriage of goods and passengers by air between specified places in Queensland except under the authority of a licence (sec. 52). The obligations to obtain licences from Commonwealth and State authorities are concurrent.

South Australia.—This State has not established a State licensing system applying to aircraft.

Western Australia.—State Transport Co-Ordination Act 1936-1953 provides that no aircraft shall operate intra-State unless licensed by the Transport Board (sec. 46). The Board may grant a licence providing that all laws or regulations of the Commonwealth have been complied with (sec. 46).

Tasmania.—Traffic Act 1926-1952 defines "public vehicle" so as to include aircraft "used or let for the conveyance of persons, goods, merchandise or things for hire, or for any other consideration" (sec. 3). An aircraft may not be used as a public vehicle unless licensed (sec. 24). The obligations to obtain licences from the State and Commonwealth authorities are concurrent.

(f) *Australian National Airlines Act 1945-1952*.—The above outline of the Director-General's licensing powers is qualified in certain circumstances by the provisions of sections 46 and 47 of the Airlines Act. Section 46 renders inoperative licences for territorial services issued by the Director-General to competitors of the Commission for so long as the Commission is providing an adequate service. Section 47, in effect, directs the Director-General not to issue a licence for a territorial service unless he is satisfied that having regard to the airline services operated by the Commission, the issue of the licence is necessary to meet the needs of the public with respect to Territorial airline services.

APPENDIX No. 3.
Report Para. No. 23.
Exhibit No. 23/24.

SOME NOTES ON ORGANIZATION AND METHODS ACTIVITIES IN CIVIL AVIATION AND THE COMMONWEALTH PUBLIC SERVICE.

INTRODUCTION.

Under section 17 of the Public Service Act the Public Service Board has a responsibility to Parliament to ensure that all Departmental operations are carried out with maximum efficiency and economy of staff and funds. In order to carry out its duties under this section of the Act the Board has established in its own office a small group known as the "Organization and Methods" Section, which in recent years has carried out investigations into most of the larger Departments. However, the Permanent Head, under section 25 (2) of the Act, also has a clearly defined responsibility to his Minister for the efficient operation of his Department, so that he, too, has a responsibility for the organization and methods of his own Department.

ESTABLISHMENT OF CIVIL AVIATION O. AND M. UNIT.

Naturally there is the closest possible collaboration between the Public Service Board and Permanent Heads in the discharge of these responsibilities and as a result the Board has agreed to the establishment of O. and M. units in Departments, who report to the Permanent Head, and who perform the list of approved functions at Attachment "A". (Some notes on the Board's own O. and M. role are included later in this statement.) The Civil Aviation O. and M. unit was established early in 1952 and is responsible for O. and M. investigations not only at Head Office, where it is located, but in all parts of the Commonwealth where Departmental staff is stationed.

RELATIONSHIP OF O. AND M. TO MANAGEMENT.

Before dealing with the activities of this particular unit it is important to note that O. and M. functions have never been regarded as the exclusive preserve of a small group of efficiency experts (the staff of the Civil Aviation O. & M. group totals only seven for the whole of the Commonwealth) but rather that every section head is responsible for critically analyzing the efficiency of his own organization and methods and for taking appropriate action to ensure that efficiency is maintained at the highest possible level. The presence of an O. and M. group in a Department does not relieve the executive staff of their normal responsibility for devising improvements in organization and method of branches or sections under their control.

REASONS FOR SEPARATE O. AND M. UNITS.

If management accepts and carries out its O. and M. responsibility it might be argued that there is no real necessity for separate O. and M. staffs, but in practice it has been found a sound and economic proposition to have them for the following reasons:—

- (1) All O. and M. inquiries take time if sufficient facts are to be collected, sifted, analyzed and put together in a way which will lead to sound conclusions. Staff employed on this work should not be interrupted by other duties.
- (2) Staff who are constantly preoccupied with problems of this type develop a capacity for handling them expeditiously by accumulating knowledge of general application, and evolving special techniques for this type of work.
- (3) Specialist training of new recruits to this O. & M. work becomes practicable and worth while.
- (4) An independent O. and M. unit is able to make comparisons between organization and methods used in various sections of the Department and in other Departments of the Public Service and industry.
- (5) O. and M. personnel, as impartial "outsiders", are least likely to possess a bias in favour of established practices or to be so greatly influenced by the personal relationships which ordinarily develop within a Branch or Division.

PURPOSE OF O. AND M.

The end result of most O. and M. reviews should be positive suggestions for improvements in organization and methods work.

"Improvements" take two forms—better results and lower costs. Better results may mean that work is done more quickly or more accurately, better service is provided to the public or other Departments or, even, that the work of the Department as a whole is more effectively performed. Lower costs can be achieved by reducing the expenditure of public moneys or staff time. The most direct way of achieving efficiency is to eliminate non-essentials. Thus the search for better results cannot be limited to suggesting a better way to do a particular type of work; the need for the work itself should be questioned.

This process, which is, in fact, the application of the principles of scientific method to administrative practice, has been fully accepted in the United Kingdom, United States, Australia and many other countries. Its acceptance is well summarized in a statement by Sir Edward Bridges, Permanent Secretary to the U.K. Treasury, in evidence before the Select Committee on Estimates, when he said:—"We believe that it (that is, O. and M.) has a part of immense importance to play in getting an efficient and economic service, and a part which cannot be played in any other way. We are determined to see that it does play that part in the most effective way".

O. AND M. ACTIVITIES IN CIVIL AVIATION SINCE 1952.

The first task of the O. and M. Section early in 1952, was to review and follow up proposed improvements recommended, under Section 17 of the Act, by the Public Service Board.

The next major task was to develop a stable but flexible structure of organization for the various sub-divisions of the Department, with a view to ensuring the most efficient distribution of functions; over 70 organization proposals were examined. One effect has been to reduce the establishment from 5,618 in 1951 to its present level of 5,177, although the volume of work has been increasing. This reduction included the cancellation of a number of positions, the need for which passed with changing activities. The reduction in actual staff employed was of course initiated by the Government direction on the matter in 1951 but the O. and M. Branch has played a significant part in the consequential reduction of establishment and in the stabilization of actual staff below the new ceiling level.

Now that a reasonable degree of stability has been reached in the Department's organization, and most requirements of the individual branches for re-organization have been met, the O. and M. unit is engaged in drawing up a "cyclical review" programme, which will result in the functions and work loading of each section of the Department being brought under critical review at regular intervals. Such a programme is a new requirement of the Public Service Board wherever O. and M. units are established in the Service.

Also, the Department has decided to extend the application of O. and M. techniques from the administrative field, where it has been so successful, to the technical field. A comparatively recent development known as "work study" has been used for this purpose by some industrial firms, particularly in the United Kingdom, and is now spreading to Australian industry. This "work study" process, which emphasizes the "work measurement" aspect, has been the means of achieving significant increases in productivity associated with savings in man-power and materials.

A technical officer, recently appointed to the O. and M. section, will concentrate his attention on learning and adapting these techniques for application throughout the Department.

As in the case of O. and M. activities in the administrative field, work study will not relieve supervising technical staff of the responsibility for seeking out improvements in the operations under their control.

RESULTS OF CIVIL AVIATION O. AND M. ACTIVITIES.

It is generally accepted that the direct and indirect benefits of O. and M. work do not lend themselves readily to measurement. To date the measurable benefits above show that O. and M. is a good investment. Some examples of completed projects follow.

Flexibility of Organization.

It is axiomatic that the Department of Civil Aviation, where public safety and speed of service are essential, must have a highly flexible organization capable of being adapted to meet changing work loads and even urgent demands for the development of new stations as at Cocos Islands and Adelaide (West Beach) Airport.

To this end all organization proposals since 1952 have been channelled through the O. and M. section, which has endeavoured to see they are soundly based in terms of lines of authority, delegation, methods, procedures, records, &c. Emphasis was placed on making the maximum use of available Departmental staff within the employment ceiling and a significant reduction in rigidity of establishment was achieved in important professional and technical fields.

By the greater use of a "pooling" system of technical staff up to certain levels branch heads are now able to use this staff at the points of greatest work load, thus avoiding the necessity of asking for new positions or staff when a sudden change in business occurs. Although air traffic generally has shown a steady upward trend and several new stations have been opened in the past few years, Departmental staff had decreased and for some time has been kept well within the approved employment ceiling.

Accident Studies and Investigations Branch.

A small but important assignment was a review of the organization for dealing with accidents. Before the O. and M. section undertook this review there were two separate branches—an "Accidents Studies Branch" and an "Accidents Investigation Branch"—operating in different Divisions of the Department. Although the amalgamation of these two branches did not result in significant staff savings a greater use is now made of the specialist abilities of the investigators in the two branches and the administrative effort which previously went into co-ordinating the work of the two branches has been eliminated. Better and more compact office accommodation has also been provided.

General Administrative Expenses.

Following a review of the statistics of general administrative expenses (travelling, overtime, &c.) at appropriate times, a system of budgetary control over travelling and other administrative costs has been introduced. Substantial monetary savings have been effected as a result.

Registry Procedures.

New procedures and special office furniture were designed for the correspondence and filing systems, leading to a much more expeditious handling and filing of papers. Specialist advice was received from the Public Service Board during this project. The immediate effect was to reduce total staff by six persons from 38 to 30 (that is, approximately 17 per cent.).

Office Machines.

All requests for the purchase of office machines are referred to a special officer in the O. and M. section. This officer, who is constantly developing his knowledge in this specialized field, maintains liaison with the Board's Machines Officer. A number of worthwhile results have already emerged; perhaps the most important has been the saving of valuable technical manpower by extending the use of calculating machines for manpower, where greater efficiency and economy are likely to occur, will be pursued vigorously.

Work Loading or Work Measurement.

One of the principal difficulties in any large-scale organization is to develop suitable work loading or work measurement formulae for determining staff needs. If this can be achieved administration is greatly simplified.

In 1953, it was decided that a committee consisting of the Chief Airways Engineer, a Public Service Board representative, and an officer of the O. and M. section, should be established to develop a work loading formula for the Division of Airways Engineering, the largest employer of technical manpower in the Department. This Division is responsible for the installation, maintenance and operation of airway facilities—D.M.E., I.L.S., radio communications systems, &c.

The loading system ultimately evolved has been in operation for more than a year. Weaknesses revealed by practice have been rectified; and with further experience a really objective measuring stick should be developed for determining staff needs in the branch. In some cases the application of the work loading formula resulted in staff savings (e.g. radio maintenance) but in others (e.g., mechanical maintenance) some staff increases were found necessary; on an over-all basis, however, reductions were found possible.

As O. and M. develops on the technical side, further attempts will be made in collaboration with other branch heads to devise "yardsticks" of this type.

General.

Some of the other functions performed by the O. and M. unit have been the continuous review of delegations to ensure that these are adequate for the prompt despatch of public business and also that the authority of senior officers bears some real relation to their responsibility; the continuous review and approval of all forms, both existing and proposed, to ensure that they do in fact perform a labour-saving purpose and are not wasteful of the time of senior technical and administrative staff; the allocation of office accommodation (which is in short supply) having regard to the work performed by the personnel concerned, and need for privacy, functional furniture, special office equipment, &c.

RELATIONSHIP WITH PUBLIC SERVICE BOARD UNIT.

In 1948 the Public Service Board established a small investigating staff of highly trained officers "whose main duty (would be) to ensure that the requirements of efficiency are thoroughly understood and pursued by the Departments themselves" (P.S.B. Report to Parliament, 1946-47).

This staff was appointed to carry out the independent duty of the Public Service Board, under Section 17 of the Act of ensuring that the organization provided for Departments is matched by suitable methods and equipment and in practice is being made to function efficiently and economically.

It is the policy of the Board that the responsibilities placed upon it by Section 17 do not, in any way, limit those of the Departments themselves for efficient management. In commenting to the Prime Minister and reporting to Parliament on this aspect, the Board said that it could not—

"too strongly emphasize the desirability of the Board's carrying out its own functions in common with departmental organization and efficiency in a way which leaves undisturbed the responsibilities for management which are so rightly, and clearly placed on Executive Heads of the departments. We cannot afford to have any doubts in the minds of executive officers on this point."

In accordance with this principle it has been the policy of the Board that its O. and M. staff should co-operate with Departments to achieve the common objective of efficient management of the business of government.

So far as the Department of Civil Aviation is concerned, the Board has honoured this policy and has provided considerable assistance in a number of ways; for example, field training in O. and M. work was given to the first officers in the Departmental O. and M. section and valuable specialist advice has been furnished whenever requested.

While it is true that the Board retains the right to undertake Section 17 reviews in Departments where O. and M. sections exist, this has not occurred in the Department of Civil Aviation since the establishment of its O. and M. unit. The Board's O. and M. staff have operated in the main as the central O. and M. unit; that is, as the focal point for concentrated effort to improve efficiency and achieve economy of operation for the Public Service as a whole.

Perhaps the functions of the Board's O. and M. staff as a central "consultant" group can be summarized as—

- (1) General advice on techniques, and particular organization and methods problems.
- (2) Technical advice on office machines and equipment and direct assistance in particular investigations.

- (3) Distribution of information received from the International Institute of Administrative Sciences, U.K. Treasury (O. and M. Division), and other international bodies with which it is linked, as well as information collated in Australia.
- (4) Arranging liaison with appropriate overseas Public Services and Authorities.
- (5) Central training of all O. and M. staff, including field training by attachment of Departmental officers for short periods, formal training conferences and the distribution of appropriate training documents.
- (6) Stimulating the development of O. and M. work by recommending an appropriate pattern of function and techniques for general application and also by periodical discussion with senior officers and O. and M. staff in Departments.
- (7) The development of Regional Study Groups in the main capital cities, consisting of O. and M. staff from various Departments, to encourage an interchanging of information between these officers and to disseminate recent developments in organization and methods work.
- (8) The formation of inter-departmental committees, if necessary, for the study of matters of inter-departmental significance.
- (9) Studies of common problems either with or without direct assistance from Departmental O. and M. units.
- (10) Loan of staff to Departments for particular assignments.

CONCLUSION.

There is little doubt that the establishment of small O. and M. cells in Departments has an invigorating effect on Departmental efficiency. This is not so much due to its own efforts but rather to the stimulus which it gives to management at all levels to critically review its own methods and procedures. However, through its independent audit of Departmental methods and otherwise tend to be overlooked in the general pressure of Departmental business, O. and M. has become a powerful force in the achievement of those standards of efficient administration required by the Permanent Head, the Public Service Board and, in the final analysis, by Parliament itself.

Attachment A.

STATEMENT OF FUNCTIONS OF DEPARTMENTAL O. AND M. UNITS.

1. Departmental O. and M. units are established to provide Permanent Heads and senior administrative staff with recommendations for improvements in efficiency and economy, based on independent fact finding, and generally to critically oversight the efficiency and economy of departmental activities.

2. More particularly departmental O. and M. units are normally responsible for—

EXISTING ORGANIZATION AND METHODS.

A systematic examination of departmental activities in accordance with a cyclical O. and M. review programme, encompassing such items as—

- (a) allocation of functions;
- (b) structure or pattern of organization;
- (c) management techniques;
- (d) procedures, records and documents.

A service of advice and information on organization and methods aspects of problems referred by senior officers.

PROPOSED CHANGES IN FUNCTIONS OR ORGANIZATION.

Recommendations relating to new organization and methods when new functions are introduced or when significant adjustments of existing practice are proposed, including those advanced in the course of planning and development activities of the department.

FORMS.

Review of existing forms including design, layout and associated organization and methods in accordance with a Forms Review Programme. Agreement to the introduction of new forms and suitability of layout, &c.

OFFICE MACHINE PROCESSES.

Review of all office machine processes in the department in accordance with a Machines Review Programme. Agreement to the introduction of all machines and equipment prior to purchase action.

ACCOMMODATION AND LAYOUT.

Review of office layout and accommodation and agreement to any proposed alteration.

INSTRUCTIONS

Concurrence in the appropriateness of instructions which affect organization and methods of the department.

WORK MEASUREMENT

Review of work measurement or work loading techniques used in the department and the development of new techniques.

STAFF SUGGESTIONS

Reporting on submissions under the staff suggestions scheme and overseeing the introduction of new methods following the acceptance of suggestions.

RESEARCH AND DEVELOPMENT

Fostering improvements in organization and methods and collaborating with the departmental Training and Welfare Offices on matters of common interest.

IMPLEMENTATION OF PROPOSALS

Oversight and advice on the implementation of accepted recommendations, as may be necessary.

COMMITTEES

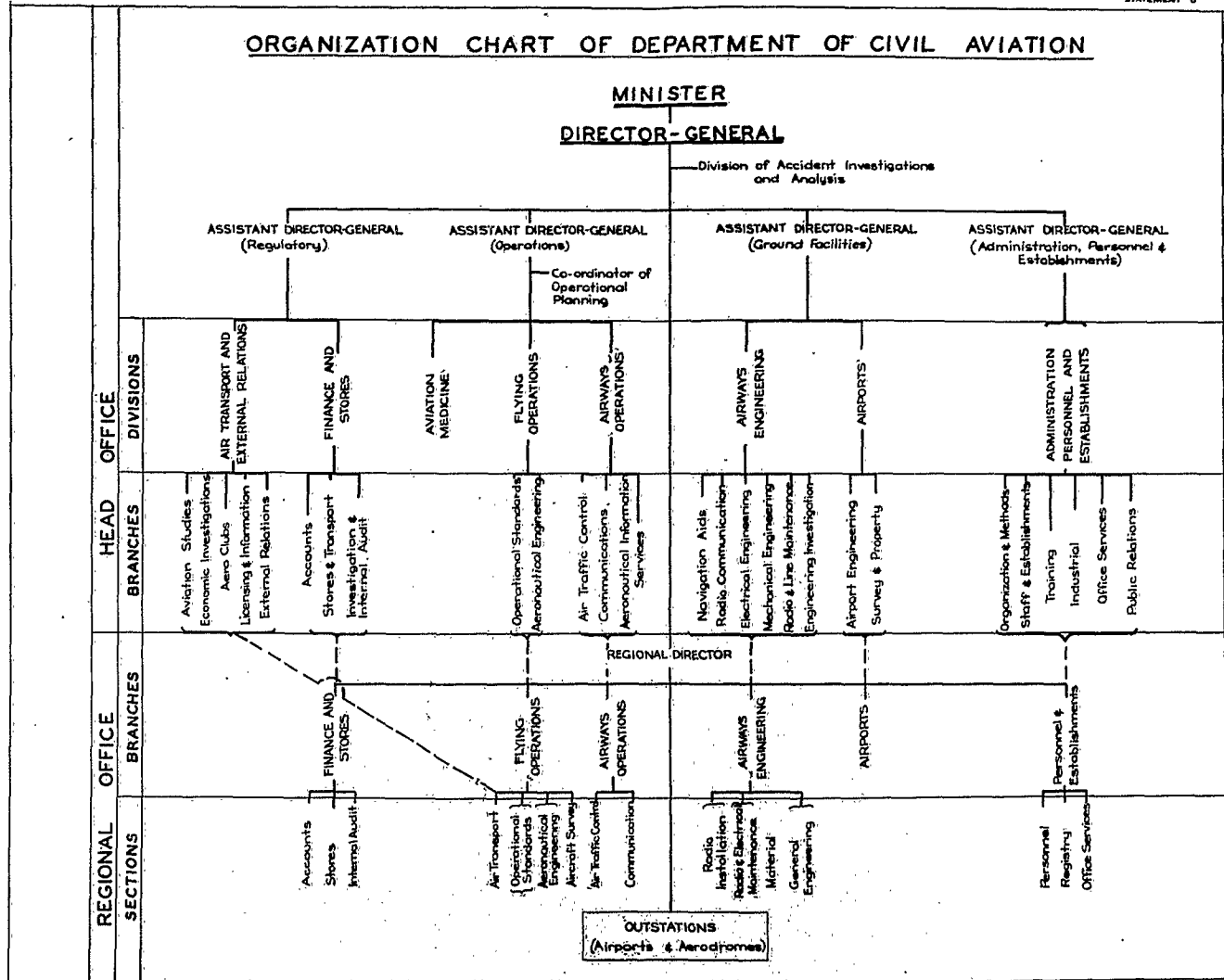
Membership of committees and working parties whose terms of reference lead to an examination of matters affecting the organization and methods of the department.

LEASONS

Collaboration with O. and M. units in other departments and authorities as appropriate.

[The following section contains extremely faint and illegible text, likely bleed-through from the reverse side of the page. It appears to be a list of names or titles, possibly related to the various committees and working parties mentioned in the instructions above.]

ORGANIZATION CHART OF DEPARTMENT OF CIVIL AVIATION



DEPARTMENT OF CIVIL AVIATION.

DIVISION OF RESPONSIBILITY FOR AERODROME WORKS BETWEEN DEPARTMENT OF CIVIL AVIATION AND DEPARTMENT OF WORKS.

At statement "A" attached is a copy of a recent agreement made between the Department of Civil Aviation and the Department of Works on the functions of the two Departments. The agreement which it is believed will be of interest to the Committee is the outcome of considerable discussion and negotiation between the two departments and the Public Service Board. It became effective on 1st July, 1955.

2. The agreement is not in any way at variance with Cabinet decree that the Department of Works has the overall responsibility for the design, estimate of cost, supervision and execution of all architectural and engineering works for the Commonwealth. It merely represents a sound working arrangement made necessary by the development of civil aviation, particularly at airfields, where, because of staff disposition, the execution and maintenance of certain works can be performed more economically by the Department of Civil Aviation within its normal resources.

Statement "A"

DIVISION OF RESPONSIBILITY FOR AERODROME WORKS BETWEEN DEPARTMENT OF CIVIL AVIATION AND DEPARTMENT OF WORKS.

Part I.—Design and Development of Aerodromes and Buildings.

The Department of Civil Aviation to be responsible for—

(1) The determination, description and delineation of civil aviation requirements for aerodromes, which include the following:—

- (a) The movement of aircraft approaching, on, and departing from aerodromes— including runways, taxiways, aprons, parking areas;
- (b) The movement of passengers, mails and freight from the entrance to the aerodrome, through the terminal or other appropriate building, to parked aircraft;
- (c) All user activities at the aerodrome, including Civil Aviation, airline operators, oil companies and meteorological services.

(2) The advising of municipal and other authorities regarding the development of their aerodromes by the definition of civil aviation requirements and the specification of works thereon. Where these requirements and the specifications involve engineering or architectural designs of magnitude or are likely to involve the Commonwealth in considerable expenditure in the future, the concurrence of Department of Works shall be obtained.

(3) The specification and construction of aerodromes in outlying areas where such work has been agreed by the Department of Works.

(4) The specification and construction of minor works as defined later herein.

The Department of Works to be responsible for—

(1) The specification, construction and supervision of aerodrome and building works (both of a capital and maintenance nature) for the Department of Civil Aviation, with the exceptions enumerated in (3) and (4) above.

Part II.—Execution of New Works.

(1) The Department of Civil Aviation may without reference to the Department of Works carry out minor new works where estimated cost (including both labour and materials) does not exceed £200 in any one instance.

(2) Where the safety of aircraft is involved, works not exceeding £500 in any one instance may be carried out by the Department of Civil Aviation provided that authority (telephonic, if necessary) to commence has first been obtained from the appropriate branch officer of the Department of Works.

(3) Where, upon application, the Branch Director of Works considers that the Department of Civil Aviation is in a more favourable position to carry out any particular work in excess of £200 under (1) and £500 under (2), then the Director of Works may grant approval in writing for the work to be carried out by the Department of Civil Aviation using that Department as a normal constructing authority. An official order for the work to be subsequently placed on the Department of Civil Aviation.

(4) Funds for the execution of works under (1), (2) and (3) to be under the control of the Department of Works and reimbursement claimed in bulk at least quarterly.

(5) The external form of any permanent structures should not be altered in any way without the prior approval of the Department of Works.

(6) If it is necessary to carry out any work which affects the permanent services to existing structures, i.e., water supply mains, electricity supply mains, sewerage mains, &c., then a detailed plan of the works should be submitted by the Department of Civil Aviation as soon as possible to the State Branch of the Department of Works.

Part III.—Execution of Maintenance Works.

(1) The Department of Civil Aviation shall be responsible for the maintenance of all Civil Aviation aerodromes and buildings, including the facilities associated therewith, and funds for this purpose shall be provided under the Maintenance Vote of the Department of Civil Aviation.

(2) Where the maintenance work is of such a nature or magnitude that it cannot be handled within the normal resources of the Department of Civil Aviation, it shall, after discussion with Department of Works, either be undertaken by Department of Works or by a local authority. The standard of the work undertaken by local authorities shall be to the satisfaction of the Department of Works. In either case the requisition shall be placed directly by the Department of Civil Aviation from funds under the control of that Department.

(3) Where the stability and standards of construction concerning pavements are involved, no maintenance works shall be carried out by the Department of Civil Aviation, with the exception of temporary repairs required for the safety of aircraft, until that Department has arranged for the Department of Works to carry out an official inspection and to advise regarding the use of materials and standards of construction.

(4) The external form of any permanent structures should not be altered in any way without the prior approval of the Department of Works.

(5) If it is necessary to carry out any work which affects the permanent services to existing structures, i.e., water supply mains, electricity mains, sewerage mains, &c., then a detailed plan of the works should be submitted by the Department of Civil Aviation as soon as possible to the State Branch of the Department of Works.

APPENDIX No. 2
Report Para. No. 69.
Table No. 21/A.
Statement 2.

DEPARTMENT OF CIVIL AVIATION.
REVENUE AND EXPENDITURE FOR MAINTENANCE AND OPERATION OF AIR NAVIGATION FACILITIES AND SERVICES IN RESPECT OF THE YEARS 1962-63 TO 1964-65.

	REVENUE.		EXPENDITURE.	
	1962-63.	1963-64.	1962-63.	1963-64.
International Operations (carriage of mails)	2,254,180	2,671,367	2,315,000	2,652,581
Domestic Services (carriage of mails)	1,080,228	1,157,954	1,203,000	857,833
Administration (carriage of mails)	2,294,102	2,859,241	2,715,000	12,840
Air Navigation Charges debited for Domestic Operations (including private aircraft charges and international operations)	941,054	293,150	769,000	2,674,584
Air Navigation Charges for International Operations	41,443	75,002	48,000	11,830
Estimated cost of maintenance and operation of Air Navigation facilities and services (including depreciation)	302,897	333,011	414,000	3,983,137
Estimated Deficiency	3,379,075	3,812,352	4,139,000	5,901,285
	5,790,297	5,697,194	5,864,000	9,387,472
	9,267,472	9,330,246	10,082,000	9,330,246

APPENDIX No. 6.
Report Para. No. 59—continued.
Table No. 21/A.
Statement "B"

DEPARTMENT OF CIVIL AVIATION.
REVENUE AND EXPENDITURE IN RESPECT OF AIR DURING THE YEARS 1943-43 TO 1944-45.

REVENUE		EXPENDITURE	
	1943-44	1944-45	Estimated 1944-45
1. International Services— (a) American origin mails (b) Mail carried on U.S. aircraft (c) Mail carried on U.S. aircraft on United Kingdom services	£ 1,767,480 1,861,967 604,682 74,008	£ 1,861,967 604,682 7,328	£ 1,767,480 1,714,800 171,480 9,000
2. Domestic Services— (a) Australian Government (b) Australian Government mails carried on domestic services (c) Other countries' mails carried on domestic services (d) Consignments by air mail (e) Diplomatic and airhead despatches carried on domestic services	£ 733,774 130,274 132,008 67,328 26,977	£ 800,112 120,286 150,984 48,684 23,288	£ 800,000 130,000 150,000 30,700 23,280
3. Estimated deficiency	£ 3,294,408 191,779	£ 3,459,841	£ 3,715,000
	£ 3,496,197	£ 3,659,841	£ 3,715,000
1. International Services— (a) Air service contracts (including mail carriage) (b) Grants in aid to BOZFA and T.W.A.U.	£ 2,913,227 63,255 124,123	£ 2,984,136 23,217 121,488	£ 2,882,000
2. Domestic Services— (a) Air service contracts (including mail carriage)	£ 498,116 466,827	£ 512,724 318,101	£ 525,000 393,300
3. Administration—(allocation of staff salaries, allowances and other administrative overheads applicable to the carriage of mails)	£ 11,600	£ 12,940	£ 15,000
4. Estimated profit	£ ..	£ 46,969	£ 207,900
	£ 3,496,197	£ 3,689,700	£ 3,682,000
	£ 3,496,197	£ 3,689,841	£ 3,715,000

APPENDIX No. 7.
Report Para. No. 59—continued.
Table No. 21/B.
Statement "C"

DEPARTMENT OF CIVIL AVIATION.
ESTIMATED REVENUE AND EXPENDITURE ON MAINTENANCE AND OPERATION OF AIR NAVIGATION FACILITIES AND SERVICES IN RESPECT OF THE YEARS 1943-43 TO 1944-45.

REVENUE		EXPENDITURE	
	1943-44	1944-45	Estimated 1944-45
Air Navigation Charges debited to Donwaco Airlines .. Air Navigation Charges debited to British Overseas Airways Corporation .. Air Navigation Charges debited to Empire Air Mail Work and Charter Operations .. Estimated Deficiency ..	£ 252,604 41,085 6,430 6,695,018	£ 272,694 73,692 6,116 5,671,989	£ 320,000 80,000 9,000 6,175,000
	£ 6,901,235	£ 6,011,000	£ 6,684,000
Estimated Cost of Maintaining and operating aerodromes, air navigation facilities, and other services .. Amount debited by Department of Interior for Meteorological Service with air Research Station (aircraft, tools, P.A. P.) .. Estimated Depreciation on aerodromes, air route and airway facilities ..	£ 4,668,000 394,000 740,938	£ 4,683,000 396,000 896,000	£ 5,125,000 350,000 976,000
	£ 5,801,235	£ 6,011,000	£ 6,464,000

Note.—As capital expenditure is being financed from Consolidated Revenue, interest has not been included.

DEPARTMENT OF CIVIL AVIATION.
(6) RECEIPTS AND EXPENDITURES (ORDINARY SERVICES) NOT INCLUDED IN STATEMENTS SET OUT IN APPENDICES 5, 6 AND 7.
(Expressed in £'000.)

	RECEIPTS.				EXPENDITURE.			
	1952-53.	1953-54.	1954-55.	1954-55.	1952-53.	1953-54.	1954-55.	1954-55.
Quinta Empire Airways Ltd.—Dividend on shares	£'000.	£'000.	£'000.	£'000.	Administration	£'000.	£'000.	£'000.
Quinta Empire Airways Ltd.—Common shares on Advances	137	6	16	16	Maintenance and operation of Civil Aviation facilities (including maintenance of aerodromes, aircraft, and aircraft engines and maintenance of aircraft used for landing of pilots and airway facilities, and electricity and general stores used at airports for general aviation)	1,488	1,287	1,365
Rentals—Departmental	25	34	86	86	Contributions towards the United Kingdom Territory in the Pacific—Contributions towards cost (shared by Australia, New Zealand, United Kingdom and Canada) (includes grants to aero and flying clubs and Australia's annual contribution to the International Civil Aviation Organisation)	296	292	255
Documents	39	50	78	78	Repairs and maintenance (under control of Department of Post (under control of Department of Interior))	138	139	134
Home of former years, examination fees, grading rights, aeradio traffic, &c.	207	98	477	477		123	173	199
Total	1,875	1,988	1,446	1,446		59	58	57
Balance (less of expenditure over receipts) before taking into account rentals collected and retained by the Department of Interior, carried down	2,082	1,966	1,624	1,624		18	20	22
Totals	2,082	1,966	1,624	1,624		2,082	1,966	1,923

* 1952, £140,000; 1953, £150,000 = £290,000.

	RECEIPTS.				EXPENDITURE.			
	1952-53.	1953-54.	1954-55.	1954-55.	1952-53.	1953-54.	1954-55.	1954-55.
Receipts included in accounts of Department of Interior, carried down	£'000.	£'000.	£'000.	£'000.	Balance (less of expenditure over receipts) before taking into account rentals collected and retained by the Department of Interior, brought down	£'000.	£'000.	£'000.
Adjusted balance (less of expenditure over receipts) taken to Department of Interior, carried down	206	193	312	312		1,975	1,988	1,446
Total	1,679	1,710	1,284	1,284		1,975	1,988	1,446
Balance (less of expenditure over receipts) including rentals collected and retained by the Department of Civil Aviation, brought down	1,875	1,988	1,446	1,446		1,670	1,710	1,284

APPENDIX No. 8—continued.
(6) RECONCILIATION OF REVENUE IN APPENDICES 5-8 WITH REVENUE AS SHOWN IN ANNUAL TREASURY ESTIMATES—1952-54.

Particulars.	Amount Received as Balance.	Reconciliation with Amount Received.				Remarks.
		Apparatus No. 6. Amount shown in Statement.	Apparatus No. 7. Amount with Return.	Apparatus No. 8. Amount Statement.	Apparatus No. 9. Amount Statement.	
Mails receivable from Postmaster-General's Department	£ 3,657,000	£ 3,483,000 (a) -45,000	£	£	£	(a) Adjustment for revenue received in 1952-54 in respect of various 1954
Air Navigation Charges	747,000	.. .. .	323,000 (b) +394,000	.. .. .	.. .. .	(b) Adjustment for revenue received in 1952-54 in respect of various 1954, and inclusion amounts totalling £287,000 received in respect of air navigation charges due prior to 1st July, 1954, but made received in 1952-54 in respect of previous years and amount outstanding but not received at 30th June, 1954
Miscellaneous	129,000	29,000 (c) + 3,000	.. .. .	96,000	.. .. .	(c) This amount is credited to Division 70, Domestic Air Services and is included in the total of £1,000,000 in the Printed Estimates. It, however, has been treated in Statement F as Revenue in respect of mails carried by air
Adjustment with OEA for mail receipts taken on Contributions received from other Departments in respect of the carriage of mails .. .. .	.. .. .	7,000 (d) -7,000	.. .. .	.. .. .	.. .. .	(d) This amount is credited to Division 70, Domestic Air Services and is included in the total of £1,000,000 in the Printed Estimates. It, however, has been treated in Statement F as Revenue in respect of mails carried by air
Totals	4,313,000	3,659,000	91,000	353,000	+ 354,000	95,000

APPENDIX No. 8—continued.
 (c) RECONCILIATION OF EXPENDITURE IN APPENDICES 6-8 WITH EXPENDITURE AS SHOWN IN ANNUAL TREASURY ESTIMATES—1953-54.

Division and Particulars	Reconciliation with Amount Expended				Amount Expended as Estimated	Appendix No. 4 Amount Shown in Statement	Appendix No. 7 Amount Shown in Statement	Appendix No. 8 Amount Shown in Statement	Remarks
	Amount Shown in Statement	Reconciling with Estimate Figure	Amount Shown in Statement	Amount Shown in Statement					
Division 70—Administrative Facilities	2,695,000	£	£	1,297,000	2,695,000	1,297,000	1,398,000	(e) This includes Item (5), Division 71—Search and Rescue Services, £184,000	
Division 71—Maintenance and Operation of Civil Aviation	3,711,000	..	..	1,194,000	3,711,000	292,000	292,000	(f) Adjustment for payments made in 1953-54 in respect of previous financial years and amounts due but not paid at 30th June, 1954, £26,000, and contributions by other Departments towards costs of services £50,000
Division 72—Domestic Air Services	847,000	..	..	..	858,000	..	..	(g) Adjustment for payments made in 1953-54 in respect of previous financial years and amounts due but not paid at 30th June, 1954, and adjustments in respect of increases in rates £72,000
Division 73—International Air Services	2,728,000	..	..	..	2,659,000	..	139,000	
Division 74—Post—Department of Interior	20,000	..	..	..	..	..	20,000	
Division 75—Meteorological Services—Department of In- terior	508,000	..	..	..	508,000	..	56,000	
Division 76—Maintenance Services—Department of Works	283,000	..	..	..	287,000	..	56,000	
Totals	10,659,000	..	..	43,000	10,659,000	6,145,000	1,986,000	

APPENDIX No. 9.
 Report Para. No. 89.
 Tables 2c, 2d/1,
 Statement 'D'.

DEPARTMENT OF CIVIL AVIATION

AIR NAVIGATION FACILITIES AND SERVICES—ESTIMATED BALANCE-SHEET AS AT 30th JUNE, 1953, 30th JUNE, 1954 AND 30th JUNE, 1955.

	1952-53			1953-54			1954-55		
	Total 30th June, 1952, £'000.	Depreciation for Year, £'000.	Cost to 30th June, 1952, £'000.	Total Value 30th June, 1953, £'000.	Depreciation (Cumulative), £'000.	Cost to 30th June, 1953, £'000.	Total Value at 30th June, 1954, £'000.	Depreciation (Cumulative), £'000.	Cost to 30th June, 1954, £'000.
Assets									
Accumulated, air route and ferry facilities available for use by operators in consideration for payment of Air Navigation Charges—(and civil engineering services)	11,005	455	11,240	12,226	979	15,247	14,679	1,655	13,024
Land and buildings—(airports, towers, and civil engineering services)	1,697	46	1,651	1,915	100	1,815	2,119	301	1,514
Buildings	1,674	102	1,724	1,724	248	1,476	1,745	268	2,475
Radio and Associated Equipment	208	107	174	1,029	348	681	1,343	564	683
Revenue Plant and Equipment	..	..	..	..	..	..	..	..	..
Totals	16,081	761	16,940	16,480	1,607	16,823	20,121	2,683	17,138
Residuals deficiency on maintenance and operation of Air Navigation facilities and services	..	..	5,999	..	..	11,257	..	..	17,420
	..	..	20,939	..	..	28,080	..	..	35,557

Liabilities									

Treasury Appropriations (to balance)	..	..	..	..	..	..	..	..	..

Notes.—This Statement takes no account of any Depreciation or Losses prior to 1st July, 1953.

APPENDIX No. 10.
Report Para. No. 381.
Exhibit No. 28/27.

DEPARTMENT OF CIVIL AVIATION.

AERO AND GLIDING CLUB SUBSIDIES.
(Assistance to Flying Training Schools.)

Historical.

In the early 1920's the Government approved the establishment of aero clubs for the general encouragement of aviation and from the commencement of operations in 1926 provided financial assistance in the form of bonus payments for the issue of private pilot licences, maintenance grant payments related to the hours flown, loan of aircraft and spare parts and accommodation at airports free of charge where suitable buildings were available. Upon the outbreak of war in 1939 aero club facilities were employed in the training of R.A.A.F. personnel and were ultimately absorbed into the empire flying training scheme.

2. In November, 1945, Cabinet, having regard particularly to the defence value of the clubs as demonstrated in the opening stages of the war, approved the reintroduction of a policy of assistance to aero clubs based generally upon the form which that assistance took before the war with increased rates of payment, but without the provision regarding loan of aircraft and spare parts. Instead aircraft were made available from the Disposals Commission at 50 per cent. of the normal sale price.

3. In 1948 Cabinet reaffirmed the Commonwealth's policy of assistance to approved clubs and authorized contracts to the 30th June, 1951, with a scale of financial assistance by way of maintenance grants and bonus payments designed to meet approximately 50 per cent. of the clubs' costs of operation. These contracts also continued the airport accommodation arrangements and provided for the establishment of a Replacement Fund wherein the Commonwealth noted a contingent liability of 10s. per hour flown to be made available, as required for the purchase of approved replacement aircraft.

4. In 1950 Cabinet endorsed the principle of assistance to clubs on the basis of the Commonwealth continuing to meet approximately 50 per cent. of the costs and authorized an increase in Commonwealth rates of payment with an over-riding limit on total expenditure of £100,000. At the time the Acting Minister (the Rt. Hon. R. G. Casey) stated "that the main purpose of Governmental assistance to the aero clubs is to encourage and maintain the nucleus organization of a wider flying training network of great potential defence value". He referred also to the "experience of the last war when the aero club organizations were taken over by the R.A.A.F. promptly after the outbreak of war and functioned as elementary flying training schools (using substantially the aero club aircraft, equipment, facilities and staff) until a wider organization could be developed to which many of the aero club personnel were then transferred for further training duties".

5. Until October, 1950, payments were made only to certain aero clubs (generally speaking one in each State) but at that time the Minister (the Hon. T. W. White) extended the policy to any club licensed by the Department as a flying training school. The Minister also authorized assistance, in the form of bonus payments only, to commercial flying schools which were established and operated in accordance with the Department's normal requirements for flying training operators. The Minister also decided that financial assistance to all flying training schools would be limited to training carried out by trainee pilots up to the age of 30 years and qualified pilots up to the age of 38 years.

6. In October, 1951, the Commonwealth entered into five year contracts (expiring on 30th June, 1956) with the aero clubs continuing the arrangements previously authorized and including an increased scale of payments. At the same time the limit on total expenditure was raised to £110,000.

Present Basis of Assistance.

AERO CLUBS.

7. The aero clubs receive three forms of assistance from the Commonwealth—

- Direct financial assistance.
- Free use of accommodation facilities available.
- Assistance in the purchase of replacement aircraft.

8. Direct financial assistance takes the form of payments as follows—

	Home Base.		Away from Home Base.	
	£	s. d.	£	s. d.
(a) A payment for each hour flown on approved training (known as the "Maintenance Grant")	1	13 9	2	7 6
(b) A bonus for each private pilot licence issued to approved persons (known as the "Issue Bonus")	84	0 0	107	10 0
(c) A bonus for each private or commercial licence renewed by approved persons (known as the "Renewal Bonus")	11	0 0	15	0 0

Generally speaking costs of training are higher in centres away from the home base and accordingly higher rates are paid for training at such places.

9. Free use of Accommodation Facilities Available.—Whilst the Commonwealth accepts no legal obligation to make hangars and other accommodation available to the clubs it allows the use of accommodation, not otherwise required, free of charge.

10. Assistance in the Purchase of Replacement Aircraft.—Having regard to the low cost of surplus war-time equipment with which the clubs were equipped after the war, the high capital cost of re-equipping with suitable modern aircraft and the great difficulties which the clubs would face in raising finance of the order necessary for re-equipment, the Commonwealth records a notional credit of 10s. per approved hour flown to be used with the approval of the Minister as a contribution towards the purchase of approved replacement aircraft—the balance, generally seven-sevenths, being found by the clubs. At 31st May, 1955, approximately £175,000 had been noted in the replacement fund of which £38,388 had been made available to the clubs.

COMMERCIAL FLYING SCHOOLS.

11. Commercial flying schools receive assistance only in the form of the issue and renewal bonus payments under contract to the Commonwealth terminable on three months' notice. The rates are the same as those for the aero clubs.

Recent Statistics of the Flying Training Schools.

EARNINGS.

12. Since the beginning of the current contract period the flying training schools have earned the following amounts—

Year.	Aero Clubs.	Commercial Flying Schools.	Total.
	£	£	£
1951-52	101,907	6,805	108,722
1952-53	105,044	6,693	111,637
1953-54	110,006	7,504	123,600
1954-55	132,684	6,927	139,241

13. The percentage of the operating costs of the clubs (which does not include the costs of their social activities) borne by the Commonwealth in the form of subsidy payments under the present contract are—

Year.	Per Cent.
1951-52	51.16
1952-53	44.93
1953-54	44.80
1954-55	Figures not yet available.

Licences Issued and Renewed.

14. From the commencement of the current contract on 1st July, 1951, to 30th April, 1955, approved persons in the flying training schools (both aero clubs and commercial schools) have secured 1,890 new private pilot licences whilst 6,835 private pilot licences and commercial licences have been renewed.

Other Statistics.

15. At the 30th June, 1955, there were 17 aero clubs and 7 commercial flying schools receiving assistance for flying training. Full details of the instructor and aircraft complements of the commercial schools are not available but the aero clubs had 181 aircraft including 125 Tiger Moth, 16 Chipmunk and 22 Auster type aircraft. Approximately 110 instructors are employed by the clubs of whom 40 are full time and 70 are part time.

16. The current level of flying in all flying training schools (both aero clubs and commercial flying schools) by approved persons is approximately 88,000 hours per annum.

Training for R.A.A.F. and Army.

17. In addition to civil pilots the flying training schools undertake the training of certain service personnel (R.A.A.F. and Army) under separate contracts with the Commonwealth (arranged by this Department in collaboration with the service department concerned) which provide for payment at rates representing the full cost of operations, i.e. for this training the financial assistance referred to in para. 8 hereof is not paid. Training of service personnel commenced in the financial year 1950-51 and the following hours have been flown by all flying training schools on this type of training since—

Year.	Hours.
1951-52	12,800
1952-53	16,000
1953-54	11,000
1954-55	12,000

18. Claims under these contracts are met separately by the service department concerned at rates agreed through this department with the flying training schools.

Supervision of Expenditures.

19. Claims for payments of issue and renewal bonuses are checked by the department against records of actual licences issued or renewed. Claims for maintenance grant payments are paid on a Statutory Declaration made by an appropriate authority in each aero club and spot checks are carried out by members of the department from time to time to ensure that appropriate records are being maintained and claims are accurate.

Exhibit No. 23/31.

Statement "A".

DEPARTMENT OF CIVIL AVIATION.

AERO AND GLIDING CLUB SUBSIDIES.

(Assistance to Gliding Clubs.)

Historical.

In October, 1933 the Commonwealth approved the payment of £500 per annum to Gliding Clubs on the ground that interest in aviation would be stimulated thereby.

2. Payments ceased during the war and were reintroduced in the financial year 1947-48 when a sum of £1,000 was provided for this purpose. This was increased to £3,000 in 1950-51.

3. On the 30th May, 1948 there were 17 gliding clubs with a membership of approximately 350 and at 31st May, 1955 there were 39 gliding clubs having a membership of 715 with an establishment of some 70 gliders and a further 30 under construction.

Basis of Distribution of Grant.

4. The grant is distributed on the basis of active membership and proficiency certificates gained, 75 per cent. to the former and 25 per cent. to the latter. Accordingly, of the existing grant of £3,000, £1,500 is distributed between the clubs on the basis of active membership and £500 on the basis of proficiency certificates gained.

Supervision of Expenditures.

5. Gliding Clubs throughout Australia are represented by the Gliding Club Federation and as a matter of convenience and administrative economy the grant is distributed amongst the clubs on the basis of information provided by the Gliding Club Federation.