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1956.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

TWENTY-FIFTH REPORT.

SUPPLEMENTARY ESTIMATES

AND

VARIATIONS UNDER SECTION 37 OF THE AUDIT
ACT 1901-1955.

COMMONWEALTH CONSOLIDATED REVENUE FUND FOR
THE YEAR 1954-55.

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VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT
1901-1955

COMMONWEALTH CONSOLIDATED REVENUE
FUND FOR THE YEAR 1954-1955

JOINT COMMITTEE OF PUBLIC ACCOUNTS

THIRD COMMITTEE

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A.V. Thompson, Esquire, M.P. (Vice-Chairman).

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A.S. Hulme, Esquire, M.P.
H.A. Leslie, Esquire, M.P.

The Senate appointed its Members of the Committee on 16th February, 1956 and the House of Representatives its Members on 22nd February, 1956.

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

TWENTY-FIFTH REPORT

SUPPLEMENTARY ESTIMATES AND VARIATIONS UNDER
SECTION 37 OF THE AUDIT ACT 1901-1955

Commonwealth Consolidated Revenue Fund
for the Year 1954-55

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

TWENTY-FIFTH REPORT

SUPPLEMENTARY ESTIMATES AND VARIATIONS
UNDER SECTION 37 OF THE AUDIT ACT
1901-1955

Commonwealth Consolidated Revenue Fund
For the Year 1954-55

CHAPTER I : INTRODUCTION

The First Committee was appointed in September, 1952. Pursuant to the duty to investigate the accounts of the receipts and expenditures of the Commonwealth, successive Committees have reviewed annual expenditures in the light of the funds voted in the Treasurer's Estimates. The review has been made in conjunction with an examination of the Supplementary Estimates sought by Departments and of the Variations made in accordance with powers conferred by Section 37 of the Audit Act 1901-1955.

2. Earlier Reports of the Committee on this matter are its First and Second Reports (on the year 1951-52), its Fourteenth Report (on the year 1952-53) and its Twentieth Report (on the year 1953-54). As from the Twentieth Report, the Committee announced its intention of examining at the same time three allied aspects of the annual statement of receipts and expenditure of the Commonwealth. These aspects are :—

- (i) Draft Supplementary Estimates, to be considered together with the Additional Estimates for that year.
- (ii) Variations under Section 37 of the Audit Act 1901-1955.
- (iii) Over-estimates.

3. In this Report Your Committee comment in general upon each of these aspects in relation to the financial year 1954-55. We then discuss the items that we consider call for specific comment from among the votes for

each of the Departments, a section of whose expenditure for 1954-55 we have examined this year. The items, involving hundreds of Section 37 Transfers and scores of votes for Supplementary Estimates, were in the first place examined by a Sectional Committee appointed by Your Committee at its first meeting to select from the accounts of the Commonwealth for 1954-55 items upon which it considered that the Committee might make a fuller inquiry.

4. Acting on the recommendations of the Sectional Committee, Your Committee called representatives of eight Departments to give evidence before it. Those who appeared are as follows :-

Department of External Affairs	- Mr. H.W. Truscott, Administrative Officer.
	Mr. F.T. Waight, Accountant.
	Mr. H.A. Burgess, Sub-Accountant.
Department of the Interior	- Mr. H.A. Barrenger, First Assistant Secretary.
	Mr. A.T.C. Johnstone, Estimates Officer.
Department of Works	- Mr. A.C. Fleetwood, Assistant Director-General (Construction).
	Mr. M.R. Stephens, Acting Finance Officer.
Department of Commerce and Agriculture	- Mr. J.P. Carney, Technical Administrative Assistant.
	Mr. R.E. Johns, Accountant.
Department of Shipping and Transport	- Mr. J.B. Wilson, Finance Inspector.
	Mr. G.J. Laycock, Director of Lighthouses.
Department of the Navy	- Mr. J.G. Beaumont, Assistant Secretary (Finance).
Department of the Army	- Mr. A.D. McKnight, Secretary.

Department of Air

- Mr. R. I. Cameron, Assistant Secretary (Finance).

Air Commodore D. A. Greal,
O.B.E., R.A.A.F., Comptroller of Equipment.

CHAPTER II

SUPPLEMENTARY ESTIMATES AND THE
TREASURER'S ADVANCE

5. During the course of each financial year Additional Estimates are submitted to the Parliament: usually in May. They seek additional funds for the items in the original Estimates that were insufficiently estimated,^x or for projects not envisaged at the time the Annual Estimates were approved. Some time after the end of the financial year, Supplementary Estimates are introduced to clear up the amounts outstanding when accounts are closed. Whereas Additional Estimates seek a vote of money additional to that voted in the Annual Estimates, and must be passed within the financial year, Supplementary Estimates simply seek Parliamentary approval for the allocation to the appropriate Divisions and Items, after the close of the financial year, of amounts made available from the Treasurer's Advance. (The Treasurer's Advance is voted earlier in the financial year, in the original Estimates: in 1954-55 it amounted to £16,000,000).
6. In recent years, the Supplementary Estimates for the preceding year have been introduced during the same Session as the Additional Estimates, i.e. some time during May. Hence it is not until 11 months after the close of the financial year involved that the Parliament has an opportunity to scrutinise expenditures in excess of votes in the Annual and Additional Estimates. This is some 21 months later than the date of introduction of the Annual Estimates. The chief reason for this lag in time is that the Supplementary Estimates have not been ready for presentation during the Budget Session (usually August to November). Supplementary Estimates

^x They may, in this connection, appropriate funds made available from the Treasurer's Advance earlier in the year.

are considered under Supply procedure, and the debate can occupy considerable Parliamentary time. Governments have been unwilling to allot three separated periods of time each year for such debates, and Supplementary Estimates have in consequence been introduced during the same Session as the Additional Estimates. The Additional Estimates, as stated above, cannot readily be introduced until late in a financial year.

7. Your Committee understand that the Treasurer is considering the introduction of Supplementary Estimates for 1955-56 during the Budget Session for 1956-57. This would mean that Parliament would have an opportunity to scrutinise, in Divisions and Items, any excess of expenditure over the amounts voted for the previous year, along with its scrutiny of the new funds being sought. Moreover, the scrutiny would then take place within two or three months of the closing of the financial year.

8. Your Committee regard this projected change in the financial timetable of the Government as desirable. While it would not mean the introduction of an early Budget such as was recommended in our Eighteenth Report, it would at least bring the Supplementary Estimates into a more satisfactory relationship with the financial year they supplement. In addition, it would facilitate reasoned and accurate comparisons of votes and expenditures.

Paras.
76-79
Concls.
13-18

9. Your Committee realise that, if the Supplementary Estimates are brought down within two or three months of the close of the financial year, there may be insufficient time for the preparation of a concurrent Report from us. However, we shall endeavour to continue to present to the Parliament a concurrent Report.

10. In the Fourteenth and Twentieth Reports of Your Committee, the Treasurer's Advance Account was comprehensively discussed. Successive Committees have taken the view that the Account is primarily to be used in meeting expenditure unforeseen when the Estimates were prepared for presentation to the Parliament. The Supplementary Estimates are then used merely to allocate to the appropriate Divisions and Items of the Estimates the expenditure made from the Advance Account pending Parliamentary scrutiny and appropriation. However, the Treasury have been using the funds made available through the Treasurer's Advance for two additional purposes that in some cases amount to using the Advance as a sort of departmental revolving fund. The purposes are :-

- (i) Pending the receipt of a Governor-General's Warrant for expenditure already appropriated, when the payment is urgent or the amount is so small as not to justify the preparation of a special Warrant;^x and
- (ii) To permit Departments to incur, on behalf of other Departments and Authorities, expenditure that will be recovered within the financial year.

X Your Committee have received, through the Treasury, the text of an opinion from the Secretary, Attorney-General's Department, concerning this use of the Treasurer's Advance. We have as yet had no opportunity to examine its implications. This we intend to do at an early date. We record that it is his view that, although the practice is according to law, the terms of the appropriation (appearing in the Estimates for 1955-56 as Division No. 205) are not completely satisfactory. Your Committee suggest that the effect of the opinion should be borne in mind in the revision of the Audit Act.

The opinion is attached as Appendix No. 1.

11. At the time of the submission of the Twentieth Report, Your Committee and the Treasury were agreed on fundamentals, but some points of disagreement still existed. The points of disagreement remaining are :-

- (1) Your Committee doubted whether it was, in all the circumstances described, necessary to use the Treasurer's Advance pending a Governor-General's Warrant. In particular, Your Committee considered that the Treasurer's Advance "ought not to be used to provide a working fund to overcome the difficulties of the machinery of payment established by the Audit Act 1901-1955. If that machinery does not allow Warrants to be issued against the funds voted for a particular purpose at a particular time, as appears to be the case, the provisions of the Audit Act should be reviewed". The Treasury regard such use of the Advance as a useful means of saving the complications involved in obtaining special additional Warrants.

20th Report, p. 7
para. 21.

Your Committee are willing to accept the contention of the Treasury that by this means some saving of time of high officers is achieved and urgent payments are not delayed; but are concerned to ensure that by this use of the Treasurer's Advance the principles of Parliamentary control of finance are not infringed.

- (ii) Your Committee questioned the use of the Treasurer's Advance in respect of operations in overseas posts. This question would have applied equally well to places within the Commonwealth where recoverable expenditure

20th Report ps.
7-8,
paras.
22-27

is charged to Treasurer's Advance. Your Committee were of the opinion that it should be possible to make the necessary payments without using the Treasurer's Advance, either by the arrangement of additional Commonwealth of Australia Accounts at overseas centres or by sending vouchers direct to the Departments concerned. The Treasury view is that either of these practices would involve substantial extra book-keeping, create administrative problems and in some circumstances delay the payment of accounts.

Your Committee see the force of the Treasury contention, but hope that this use of the Treasurer's Advance will be kept to the minimum.

In any case, Your Committee consider that the aggregate sum voted as Treasurer's Advance should not at any time be exceeded.

12 Supplementary Estimates as a percentage of the total annual Budget have declined since 1949-50, and most markedly from and including 1953-54. From a percentage of the total Budget expenditure in 1949-50 of 2 per cent., Supplementary Estimates have fallen to 0.4 per cent. in 1954-55. The figures are set out in the following table :-

Financial Year	Gross Amount (a) of Supplementary Estimates	Total Budget Expenditure	Percentage	Net Amount (b) of Supplementary Estimates
	£m.	£m.	%	£
1949-50	11.9	581	2.0	9.9
1950-51	12.5	842	1.5	12.5
1951-52	19.2	1,017	1.9	9.3
1952-53	15.6	1,027	1.9	14.2
1953-54	4.1	1,023	0.4	4.1
1954-55	4.3	1,067	0.4	4.3

- (a) Includes Supplementary Estimates for Ordinary Services and for Capital Works and Services.
- (b) Obtained by deducting from the gross amount the amount of savings ("offsets") under Defence Votes. No "offsets" have been made since 1952-53.

13.. The proportions of the various heads of expenditure making up the Supplementary Estimates have varied considerably over the years. Thus in 1950-51 and 1951-52, new capital works and services Supplementaries were high. In 1954-55 they are negligible, a product no doubt of the stabler cost-pattern and of increased difficulty in that year of getting work done. Defence Services, upon which we comment later in this Report, constitute the major single category of votes for which Supplementaries are sought in 1954-55. The following table sets out the position :-

Financial Year	Re-funds of Revenue	De-fence Ser-vices	Mis-cell-aneous Ser-vices	Other	Total, Ordin-ary Expend-iture	Capi-tal Works & Ser-vices	Total Supple-ment-ary Es-timate
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1949-50	..	3.9	0.9	4.6	9.4	2.5	11.9
1950-51	..	4.5	1.0	4.1	9.6	2.9	12.5
1951-52	..	9.9	1.0	4.9	15.8	3.4	19.2
1952-53	8.7	5.4	1.4	3.1	18.6	1.0	19.6
1953-54	0.1	0.9	0.5	1.9	3.4	0.7	4.1
1954-55	..	1.9	0.2	2.1	4.2	0.1	4.3

14.. The trend to smaller requests for additional funds, when linked with a diminishing proportion of variations under Section 37 of the Audit Act, is satisfactory. In general, the trend indicates greater accuracy in estimates made at the commencement of the financial year. However, the magnitude of the error of the original estimate is only one indication of haphazard estimating. Your Committee seek not only estimates that are accurate forecasts of expenditure. We look for estimates that are made with economy as their key-note and that make intelligent use of all available information in an endeavour to achieve accuracy.

CHAPTER III

VARIATIONS UNDER SECTION 37 OF
THE AUDIT ACT.

15. The Audit Act was framed soon after the founding of the Commonwealth of Australia in 1901 and was one of the earliest measures to come before the new Parliament. It was, in fact, the fourth Act to be passed by the First Parliament of the Commonwealth, and was assented to on 7th August, 1901. Many of the clauses of the Act were taken direct from State Audit Acts. Acknowledgement is also made to the New Zealand Audit Act for a considerable number of clauses, amongst them the clause now known as "Section 37".

16. "Section 37" was one of the original clauses in the Bill. At that stage it was clause 38. The Rt. Hon. Sir George Turner, P.C., K.C.M.G., Treasurer of the Commonwealth, said in the course of his Second Reading Speech on the Audit Bill that :-

"Clause 38 is the usual provision which allows transfers of money from one sub-division on the Estimates to another (sic) to make up any shortage that may occur."

Hansard.
Vol. I,
P. 1253

This short reference to the clause is the only one that, so far as can be traced, has been made in the course of Parliamentary Debate.

17. In 1948 the Audit Act was substantially revised and among other amendments was one to Section 37. The procedure laid down by the original clause was that, for each "variation" to the Estimates as approved by the Parliament, an Order-in-Council was required. The Order was to be delivered to the Auditor-General and was also to be "laid before both Houses of the Parliament within seven days after the making thereof if the Parliament be then in Session and actually sitting or if the Parliament be not then in Session or actually sitting within seven days after the commencement of the next Session or sitting".

Act
No. 60 of
1948

18. The procedure of laying a copy of each Order before both Houses was found onerous on those concerned because, in the great majority of cases, Transfers are made at the end of the financial year, at a time when the Report of the Auditor-General is about to be presented to the Parliament. By Section 52 of the Audit Act 1901-1955 the Auditor-General is obliged to append to his Report a copy of every Order-in-Council directing a Transfer under Section 37 of that Act. It did not, therefore, seem necessary for another copy to be laid before the Houses.

19. Since 1948 no alterations have been made to Section 37 of the Audit Act 1901-1955. Section 37 reads as follows :-

- | | | |
|--|--|--|
| <p>"37. - (1.)</p> <p>(2.)</p> <p>(3.)</p> | <p>If the exigencies of the public service render it necessary to alter the proportions assigned to the particular items comprised under any subdivision in the annual Appropriation Act the Governor-General may by order direct that there shall be applied in aid of any item that may be deficient a further limited sum out of any surplus arising on any other item under the same subdivision unless such subdivision shall be expressly stated to be 'unalterable'.</p> <p>Every order by which such altered application may be made shall be delivered to the Auditor-General within seven days after the making thereof.</p> <p>Nothing hereinbefore contained shall authorize the Governor-General to direct that any such sum as aforesaid shall be applied in augmentation of or as an addition to any salary specifically appropriated by the Parliament."</p> | <p>Power to vary the annual Appropriation. N.S.W. 23; Vic. 32; Qld. 19; N.Z. 40; W.A. 17.</p> <p>Sub-sections (1.), (2.) and (3.) amended by No. 60, 1948, s.20.</p> |
|--|--|--|

20. Thus it is clear that the power conferred by Section 37 is unlimited, except that only within a subdivision may amounts be transferred from one item to another. It is conceivable that, when this provision was first adopted as a feature of Audit measures, the items within subdivisions were fewer in number, and were closely related. Whatever may have been the practice in the days when this clause first became a regular feature of governmental Audit measures, it has not been adhered to since the founding of

the Commonwealth. Your Committee cite as an example Division 26 of the Estimates for 1905-1906. It is the Miscellaneous Vote for the Department of Home Affairs and contains a wide variety of Items :-

	"Trans- ferred"	"Other"	Approp- riation	Expend- iture
	£	£	£	£
Subdivision No. 1.				
No. 1. Expenses in connexion with choosing the site of the capital of the Commonwealth	...	1,000	3,500	1,645
2. Conveyance of Members of Parliament and others	...	9,000	9,000	8,562
3. Expenses in connexion with valuation of properties taken over from the States	...	600	100	7
4. Fire insurance	...	400	400	342
5. Cost of compilation and publication of a new edition of the "Seven Colonies"	...	500	500	500
6. Expenses in connexion with the administration of the Electoral Act	...	21,000	20,000	34,187
7. Cost of Commonwealth elections	...	300	1,500	2,444
8. Towards the establishment of a Statistical Bureau	...	5,000
Legal expenses, Commonwealth, at Municipal Council, Sydney	64
Expenses in connexion with the "Drayton Grange" Royal Commission	1
Total Division No. 26	...	37,800	35,000	47,752

21. It is true that in the early years a distinction was made between "Miscellaneous" and "Contingency" items. As a rule the Contingencies sub-divisions appear to have been limited to items of a related nature;* but the Miscellaneous sub-divisions were not. As an example of the practice in the years after the First World War, we cite Division No. 68 of the Estimates for 1925-26. This Division is the "General Contingencies and Services" Vote of the Department of Defence. Sub-division No.1 is divided into 33 Items, which are given nine sub-headings as follows :-

	<u>Items Nos.</u>
Transport and Travelling	1- 6
Postal Services	7- 8
Works Services	9-10
Medical and Veterinary	11-12
Grants	13-14
Educational	15-18
Miscellaneous Employment Services	19-20
Miscellaneous Supplies	21-26
Miscellaneous Allowances and Payments.	27-33

The vote for 1925-26 was £101,526 (expenditure the year before had been £108,469 on a vote of £104,983). Total Estimated expenditure for 1925-26 for the "Department of Defence - Military (not including War Services)" was £1,036,029.

22. In the Second Report of Your Committee, which was devoted solely to a discussion of variations in annual appropriations under Section 37 of the Audit Act for 1951-52, the Committee gave it as their opinion that Transfers should in the main be made between related items.

23. The Treasury transmitted a Minute to Your Committee indicating that the procedure in respect of Transfers under Section 37 had been reviewed and that amended instructions had been issued. In accordance with the revised procedure, Civil Departments are "to make individual application to the Treasury in each case where the proposed supplementation of an item of a sub-division under which Transfers are

16th
Report.
Page 8,
18th Ma
1953

* The sub-division heading "Contingencies" is now entitled "General Expenses".

permitted is in excess of 10 per cent. of the amount of the items, or £10,000 whichever is the less".

24. As a matter of policy the Treasury does not approve Transfers under Miscellaneous and certain other Sub-divisions: Transfers are in general limited to Salaries and General Expenses sub-divisions of Administrative Votes. Further, Departments have been advised "not to assume that a Transfer will be approved solely because of the fact that a saving will be made on another item, and the necessity for the additional funds must be clearly demonstrated". Applications are not required for Variations that, taken together with any previous Transfer, amount to less than £100.

16th
Report,
Page 8.
18th
May,
1953

25. Your Committee are of the opinion that the restriction upon the use of the power conferred by Section 37 now adopted by the Treasury constitutes a reasonable working arrangement. We will bear it in mind in our consideration of Transfers made under Section 37. But where the Transfer appears to us to be not warranted by the circumstances, we shall report to that effect to the Parliament.

26. The principles upon which Transfers under Section 37 will be scrutinised are :-

(i) to ascertain what is the reason for the inaccuracies in estimating (which must necessarily involve both an under-estimate and an over-estimate within the same sub-division); and

(ii) to watch for any by-passing of the system of Parliamentary control achieved by the annual passing of the Estimates that may result from obtaining for a relatively acceptable Item, e.g. scientific equipment, funds in excess of requirements, and using the "saving" for some other Item for which it would not have been so easy to obtain an increased vote, e.g. incidental expenditure.

27. Among other factors, Your Committee have in mind in our scrutiny of Section 37 Transfers the possible psychological reactions that may develop from a too-easy approval of applications for them. If one group of officers sees savings they have made by exercising genuine economy passed on to other Sections that have not been so careful, they may themselves cease to seek economy with all the care of which they are capable. It is, after all, upon the integrity of each officer - for each officer involves the Commonwealth in expense - that close budgeting and efficient and economical operation of the whole government machine depend.

28. The proportion of the total expenditure of the Commonwealth represented by Transfers under Section 37 has been diminishing over the past years. Your Committee welcome this trend. The figures are as follows :-

Financial Year	Total of Transfers	Total Budget Expenditure	Percentage
	£m.	£m.	Per cent.
1949-50	7.1	581	1.22
1950-51	3.9	842	0.46
1951-52	5.2	1,017	0.51
1952-53	4.4	1,027	0.43
1953-54	2.5	1,023	0.24
1954-55	2.2	1,067	0.20

The table shows that, taken together, the funds involved in Supplementary Estimates and Section 37 Transfers for 1954-55 totalled some £6.5million,* or 0.62 per cent. of the budget expenditure, compared with £16.4million,+ or 1.95 per cent. in 1950-51.

* Includes Supplementary Estimate £4.3million, Section 37 Transfer £2.2million.

+ Includes Supplementary Estimate £12.5million, Section 37 Transfer £3.9million.

CHAPTER IV

OVER-ESTIMATING

29. Your Committee's examination last year of the Supplementary Estimates and Section 37 Variations for 1953-54 was the first occasion upon which an examination of Over-estimates was also undertaken. We have carried that examination a stage further this year.

30. In the Twentieth Report Your Committee indicated that in making their examination of Over-estimates they were in general agreement with the approach of the Public Accounts Committee of the United Kingdom. One reason for examining Over-estimates is that, by making too liberal the original estimate, Departments may avoid the Parliamentary scrutiny involved in a request for Supplementary Estimates. Your Committee consider that the paragraph concerning over-estimating contained in the circular from the Lords of the United Kingdom Treasury (calling for the submission of Estimates for 1954-55) states the position admirably :-

"Although it remains essential that Supplementary Estimates for unavoidable excesses over the provisions made in the original Estimates should only exceptionally be required, the risk of having to take a Supplementary Estimate must not be avoided by excessive provision in the original Estimates. Estimates which err 'on the safe side' derogate from the efficiency of parliamentary control over expenditure, and a multiplicity of Estimates so framed will be seriously misleading in the determination of financial policy."

20th
Report,
Page 6,
Para. 12

31. Your Committee are aware that it is possible, and that at times it may be legitimate, to consider an expenditure that falls short of the estimate made at the beginning of the year as an "under-expenditure" rather than as an "over-estimate". We agree that there are many cases where the short fall of expenditure is the result of circumstances beyond the control of the estimator. The thing for which the funds were voted may not be required; an alternative way of doing the job for which the funds were obtained

may have been found; or for some reason the purpose for which the funds were voted may have been rendered vain. The job may even have been done with greater economy than was envisaged at the time of the framing of the estimate. Savings of funds of this nature are genuine under-expenditures.

32. However, there are other "savings" that do not fit into these categories. Your Committee have in mind the repeated explanations we receive from Departments claiming "savings" on various items. On further investigation, these "savings" appear merely to be cases of an expenditure being deferred from the year of estimate to a subsequent year. These so-called savings are, of course, not savings at all.

33. We are of the opinion that, while there may be occasions when the deferment has been unavoidable, there are many more occasions when it is the result of bad estimating. It is to discover bad estimating of this kind that we make our examination of Items in respect of which the expenditure has fallen significantly short of the estimate. Here again, the magnitude of the over-estimate may not be the critical factor: what concerns Your Committee is the accuracy and appropriateness of the working by which the estimate was arrived at.

34. Over-estimating can also give rise to an improper use of the power to make variations conferred by Section 37 of the Audit Act 1901-1955. Where an Item of expenditure is merely deferred (not saved), it is inappropriate to use for other purposes the funds thereby not taken up. Your Committee will watch closely this aspect of Section 37 Transfers, linked as it is with inaccurate estimating of one kind or another.

35. The proportion of over-estimates in relation to total Budget expenditure shows, for both 1953-54 and

1954-55, a deterioration. Whereas unexpended funds as a percentage of total budget expenditure had declined to 3.2 per cent. in 1952-53, they were 4.8 per cent. in 1953-54 and 5.1 per cent. in 1954-55. As well, the total of funds remaining unexpended has increased. In 1950-51 £47.1million was unexpended, and in 1954-55, £54.0million. The following table sets out the position :-

Financial Year	Unexpended Funds (a)	Total Budget Expenditure(b)	Percentage
	£m.	£m.	Per cent.
1950-51	47.1	842	5.6
1951-52	49.0	1,017	4.8
1952-53	33.0	1,040	3.2
1953-54	49.5	1,023	4.8
1954-55	54.0	1,067	5.1

- (a) The total of unexpended appropriations for Parts I, II and III of the Estimates, as shown in the Finance Statement. The figures include unexpended amounts of Additional Estimates for the year.
- (b) As shown in the Estimates for the following year.

CHAPTER V

DEFENCE VOTES

36. In the Fourteenth Report Your Committee criticised the practice followed by the Treasury of offsetting, against excess expenditure under votes for Defence Services, savings on other Defence Services Votes.

37. The Treasury transmitted a Minute to Your Committee in comment upon the Fourteenth Report and the matter was further discussed in our Twentieth Report. The Treasury view was that the practice of "offsetting" is justifiable while "total expenditure on the Defence Services is to be limited" by fixing a programme figure (a "ceiling") for expenditure in each financial year.

38. Following Your Committee's criticism of the practice of "offsetting" in its Report on Supplementary Estimates and Section 37 Variations for 1952-53 (the Fourteenth Report), the Treasury refrained from approving further offsetting. No "offsets" have, in consequence, been made between Defence Services Votes since 1952-53. It can be seen from the Table in Chapter II of our Report (see paragraph 13) that 1952-53 was a year in which very heavy "offsets" took place.

39. Your Committee understand that there is doubt about the legality of the offsetting practice. We recall the Auditor-General's question whether a lump sum saving used to offset additional expenditure on other votes would comply with the provisions of Section 32 of the Audit Act 1901-1955. As indicated in earlier Reports, especially the Fourteenth, we consider the practice undesirable.

40. Moreover, Your Committee are concerned at the laxity in the control of defence expenditures that can spring from the adoption of a Defence Programme that in recent years has been substantially underspent. To know

that there will be heavy under-expenditures on most items is not an encouragement to careful spending. No incentive is given to Departments to "keep within" the appropriated figure: instead, every effort appears to be made "to spend the funds voted".

41. Your Committee observe that the votes passed by the Parliament for defence purposes are for several reasons in a category different from the votes for other purposes. We make these comments :-

- (i) The Defence Services Votes are planned to a total to fit in with a programme predetermined by the Government. The programme is determined for a number of years (usually three) in advance and has no apparent relationship to the actual availability of supplies within each year of the programme.

Your Committee are not criticising the policy of the Government. Nor do we suggest that Defence considerations should be given any but the highest priority in the budgetary allocation. The point of our observation is that the criteria of good estimating for Civil Estimates will not be applicable to the Defence Services Votes if they are to be built up according to a predetermined expenditure programme.

- (ii) It is only if the Defence Departments are able to spend considerably more than it is possible to allocate to them that an overall "ceiling" limiting expenditure is effective. The annual figure at present estimated under the programme for Defence Services Votes does not appear to operate as a ceiling. If achievable expenditure is below the ceiling, and

whether "offsetting" is permitted or not, the ceiling will only act as an encouragement to further spending.

Your Committee, regarding the matter as we must from the angle of economy and the efficient control of the expenditure of public funds, consider undesirable both the imposition of an unreal "ceiling" and the form of budgeting it entails, and also the related practice of "offsetting".

We report in Chapter VI upon several examples of heavy over-estimating found among the Defence Services Votes. Here we merely comment that the recurrence of these over-estimates indicates a lack of realism in the financial branches of the Defence Departments and among their advisers on the procurement side. Your Committee consider deplorable the almost grotesque examples of over-estimating that have come before us over the past two years.*

42. It is not only in Australia that Defence Services have caused concern in matters affecting financial

* As examples, we cite the following instances of over-estimating :-

	Estimated Expend- iture	Actual Expend- iture	Over- esti- mate	Over-est- imate as percent- age of estimate
	£'000	£'000	£'000	%
(i) Defence Works for 1953-54	16,322	9,841	6,481	40
(ii) Defence Works for 1954-55	13,144	8,621	4,523	34
(iii) Equipment and Stores (Air) 1954-55 (Div- ision 147)	17,633	10,623	7,010	40
(iv) Arms, Armament, etc. (Army) 1954-55 (Div- ision 135)	18,402	11,095	7,307	40

control. We understand that the Comptroller and Auditor-General of the United Kingdom has issued a special report on the "Army Appropriation Account 1954-55". In it, he criticises the excessive quantities of stores being ordered through incorrect calculation of requirements. Although time has not permitted us to examine the Report of the Comptroller and Auditor-General, it seems that the situation to which he has drawn attention was caused by using without proper checks the funds made available. It is because such practices may well develop in Australia that we are currently devoting time to the problem of over-estimating in general, and of programmes for defence expenditure in particular.

43. The problems associated with estimates and votes for the Defence Departments are, as we have suggested, peculiar to them. For this reason we received from the Treasury, and subsequently from the Department of Defence, explanatory statements dealing with the problems of annual budgeting and financial control as they relate to Defence Services Votes. Your Committee do not canvass these problems in this Report; but at a later date we anticipate being able to present further information and to make some fuller comment about the situation.

CHAPTER VI

EXAMINATION OF SELECTED ITEMS

DEPARTMENT OF EXTERNAL AFFAIRS

Division No. 17 - Items 3 and 5

Administrative - Postage and Courier
Service

44. The Votes and Expenditures on Item 3 - Postage, Telegrams and Telephone Services, have in recent years been as follows :-

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>	<u>1951-52</u>	<u>1950-51</u>
	£	£	£	£	£
Vote	92,000	101,500	120,000	136,000	117,000
Expenditure	<u>74,000</u>	<u>89,500</u>	<u>105,500</u>	<u>112,000</u>	<u>130,000</u>
Over-estimate	<u>18,000</u>	<u>12,000</u>	<u>14,500</u>	<u>24,000</u>	<u>-13,000</u>

45. In 1953-54 and 1954-55 the Treasury approved transfers under Section 37 of the Audit Act in respect of surpluses occurring under Item 3 - Postage, Telegrams and Telephone Services. The transfers supplemented the Vote for the Courier Service. Since its inception in 1953-54, the Votes for the Courier Service (Item 5) have been as follows :-

	<u>1954-55</u>	<u>1953-54</u>
	£	£
Vote	21,800	13,000
Expenditure	<u>24,622</u>	<u>14,066</u>
Section 37 Transfer from Item 3	<u>2,822</u>	<u>1,066</u>

46. The Department attributes the decline in expenditure on Item 3 to an increasing use of the Courier Service, but Your Committee doubt whether such a marked decline is entirely consequential upon the operation of the

Courier Service. It is probable that a considerable proportion of the decline is the result of an increased use of ordinary air mail or air freight facilities.

Ex.No.
25/1.

47. The safe hand mail carried by the Diplomatic Courier Service comprises two forms of carriage. In the one, the Courier, normally a member of one of the Service Departments, carries it as his own personal baggage. We were told by Mr. Truscott that "the bags are never out of his sight and he is responsible, above all, for their safety and security". The second method is to use a safe hand bag :-

Q.135

"MR. TRUSCOTT: which goes care of the pilot of the aircraft. It is placed in the bullion locker, and is charged for at the bullion rate, which is very high; it is something above ordinary letter mail rates. It is given special care and it is, after the passengers, the primary responsibility of the first officer, or the captain of the aircraft. That is where we need security. There is a good deal of material which must be sent overseas where there is no special security. It is perhaps restricted in that we do not like it to go through the open mails. It is usually sent now by air freight, which is naturally at a very much lower rate per lb.."

Q.136

48. In the course of the Inquiry into the Department of Civil Aviation Your Committee discussed the functions of the Department of Civil Aviation in regard to diplomatic and safe hand mail. We now find that it is not only the Department of Civil Aviation that is concerned in handling such mail, but also the Department of External Affairs. It appears that the Departments concerned are not fully aware of each other's functions and that no consultation takes place between them. We recommend that the two Departments consult without delay to see if simpler or more economical working of the system can be achieved.

49. Your Committee question whether it is necessary for either Department to carry out the administrative functions involved in the carriage of safe hand mail, except when special safety precautions are required. Either the matter could go by the ordinary air mail or by air freight,

or, where necessary, special safe hand facilities provided by the airline operators could be used.

50. We recommend that, in view of the high cost of special safe hand mail destined for overseas, the Courier Service should be used where that is available. Where it is not - for destinations both within Australia and overseas - air freight facilities rather than the expensive safe hand arrangements might be more generally used, unless the nature of the despatch precludes it.

Qs. 141-146

51. Your Committee also suggest that it might be possible to place next to one another Items 3 and 5 of Division 17B (the one dealing with the Postage, etc. expenses of the Department and the other with the Courier Service). If possible, some indication might be given of the fact that they are associated.

Q. 148

Division No. 22B - Item 6

Indonesian Embassy - Incidental and Other Expenditure

52.	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	6,100	5,000	4,700
Expenditure	<u>8,871</u>	<u>6,275</u>	<u>6,323</u>
Supplementary Estimate	<u>2,771</u>	<u>1,275</u>	<u>1,623</u>

53. Your Committee were informed that in 1954-55 the Incidental Expenditure Item was, at the request of the Treasury, dissected fully for the first time into a number of sub-items. In particular the residual, "Sundry Other Items", was analysed in more detail. Your Committee understand that it is only in special circumstances that the Department examines the "Sundry Other Items" sub-item in as much detail as was done for Indonesia.

Q. 37

54. We were informed that to keep the itemisation

for all overseas posts on as detailed a basis as for Indonesia would entail considerable extra work :-

"COMMITTEE MEMBER: These are the things, as Mr. Truscott has been saying, that go to make up the total of your estimates. How can you be accurate in your estimates if you do not know whether, for example, expenditure on taxis and fares in the past was greater than your estimate. If you did not have a fairly accurate itemization of expenditure on repairs, uniforms, medical expenses, outfits and so forth, you would be stabbing in the dark when you fixed on a figure for sundry expenses. - (MR. BURGESS) It would entail quite a lot of extra work to carry the itemization as far as that. We do not think that the extra work would be justified.

Qs. 38-40

COMMITTEE MEMBER: You do not think that the accuracy of your estimating is very much disturbed by the fact that you have not taken out a detailed statement? - (MR. BURGESS) No, I do not think so. - (MR. TRUSCOTT) I think it is correct to say that incidental and other expenditure is rather higher in Djakarta than in most other places.

COMMITTEE MEMBER: Is the Treasury satisfied with this sort of detail in your estimates? - (MR. BURGESS) Yes. As a matter of fact, there was a suggestion from the Organisation and Methods Section of the Public Service Board that perhaps we were doing too much itemization."

55. Your Committee observe that in a number of cases expenditure on the item "Incidental and Other Expenditure" is substantially different from the Estimate. While an item of this kind is inevitably difficult to estimate, we are of the opinion that a much more accurate estimate could be made than at present, and that it could be made without requiring increased staff. We think further itemization of this item, along the lines of that for the Embassy in Indonesia, should be considered. As examples of inaccurate estimates made in connection with this item we cite the following Divisions and Item Nos. : 21B:5 (Netherlands); 23B:5 (Ireland); 26B:5 (Brazil); 28B:4 (Italy); 32B:4 (Viet Nam, Laos and Cambodia); 36B:6 (India); 38B:5 (South Africa).

Division No. 203

International Development
and Relief

56. Since 1951-52 an amount has appeared in the Miscellaneous Services section of the Estimates under the heading "International Development and Relief". It contains two Items, one for the technical assistance and economic development programmes of the Colombo Plan, the other for technical assistance, relief and rehabilitation under the auspices of the United Nations. The Estimates of expenditure, particularly for Item 1 - the Colombo Plan - have been inaccurate. They are as follows :-

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>	<u>1951-52</u>
	£	£	£	£
Vote	4,500,000	3,000,000	3,750,000	8,950,000
Expenditure	2,394,000	2,662,000	3,301,000	4,225,000
Over-estimate	2,106,000	338,000	449,000	4,725,000

57. Whilst it may be difficult to estimate with accuracy the expenditure that is likely to occur under the Colombo Plan, and whilst Your Committee do not question the wisdom and policy of making available ample funds for this valuable work, we are unwilling to accept the estimating as satisfactory.

Qs. 113-117

58. Item 2 of Division No. 203 contains grants to various United Nations Agencies for technical assistance. Figures for this Item for 1955-56 were considered at Cabinet level and Mr. Burgess told us that

"an overall amount for International Development and Relief, under Division 203, was fixed, and it was left to the Minister for External Affairs to decide what amounts were to be available for the various items under that Division."

Qs. 112, 114

COMMITTEE MEMBER: An overall amount is fixed by the Cabinet and the details of how it is to be disbursed are at the discretion of the Minister for

External Affairs. That is not an unusual practice, is it, Mr. Cox? - (MR. COX) No. The Minister has the responsibility of administering his votes and I think he would consult with the Government before any substantial amount was paid to a particular fund."

59. The Item is not broken up into smaller amounts because of the embarrassment that might result. It was suggested that, were any figures to be included among the Estimates, it might be difficult for the Government not to make that amount available to the Agency indicated, if at a date later than the framing of the Estimates that course seemed desirable :-

"COMMITTEE MEMBER: On occasion we have had to comment on the lack of enlightenment of what the vote seems to be. This is an example of the wisdom of having a statement in the explanatory part of the Estimates to let us know just what is being spent in this item. - (MR. COX) That item was carefully considered. After all, these are only estimates and the Department felt that it would be embarrassed in its dealing with overseas agencies and countries if it indicated in advance what it thought it would be called upon to provide in the coming year in respect of each of these varying contributions, particularly as the Government itself had not decided what it was going to give. For that reason, the estimated amount was shown in one line of the Estimates, but the Department itself kept the allocation of the various components of that amount. It was considered to be not desirable to publicize the details.

Qs.105-
108

COMMITTEE MEMBER: But the Government would have made up its mind which Department would be making the contribution, either the Treasury or External Affairs? - (MR. COX) Yes, but not at that time. These matters would be considered from time to time during the year.

COMMITTEE MEMBER: Could not an indication be given from time to time, for the information of Parliament? - (MR. COX) It may be that a contribution was proposed for a particular organisation, but if we indicated in a general sort of way that it would be receiving something, we might be committed to making it known.

COMMITTEE MEMBER: So that you have a general account from which you can transfer items to a particular fund, or eliminate altogether items of expenditure? - (MR. COX) Yes."

60. Your Committee recommend that, even if it is not possible to disclose for the year of estimate all the objects of the Vote, the major donations envisaged should be set out in the Estimate submitted to Parliament. There

would be no objection to leaving the remainder of the Vote under some general heading, e.g. "Other Donations". We observe that not even the statement of expenditure in the Finance Statement gives any further details of the expenditure under either Item.

61. We ascertained that the expenditure of £1,035,000 during 1954-55, included assistance to the following United Nations and other Agencies :-

£ 252,000	Technical Assistance Contribution	Q.104
50,000	Relief and Works Agency for Palestine Refugees	
55,000	Refugee Fund	
5,000	International Committee of Red Cross	
673,000	Other Expenditure	
<hr/>		
£1,035,000		

62. Your Committee also recommend that Division No. 203 should be included at a more appropriate place in the Miscellaneous Services section of the Estimates, preferably with the other Miscellaneous Services under the control of the Department of External Affairs. These appear in Division No. 190. Q.101

DEPARTMENT OF THE INTERIOR

Division No. 610 - Item 12

Administrative - Miscellaneous : Royal Tour Film "The Queen in Australia"

63. The title of this Section of Item 7 is "Royal Tour Film, 'The Queen in Australia' - Loss on Production", and for it the Estimates for 1954-55 provided £36,000. Expenditure was £111 more than this, and for this "loss" a Supplementary Estimate is sought.

64. The estimate of the total cost of production of the film was £52,000 and the actual cost £73,000.

Against this can be set the revenue of £36,950 derived from distribution. The production represents an entirely new venture for the Department, this being the first feature film produced by the Film Division of the News and Information Bureau. Furthermore, it is the first Australian feature film ever to be produced in 35 millimetre colour.

65. Not only was such an undertaking unprecedented in Australia, but there are no facilities here for developing and printing such films. The film had to be flown to London for processing. Then 800 feet of it, exposed and unprocessed, were destroyed in the crash of the B.O.A.C. Constellation at Singapore in March, 1954. They had to be replaced by shooting again some of the Queensland sequences of the film. Full details of the adventures associated with the production of this film are set out in the statement submitted to us by the Department that is attached as Appendix No.2.

66. The Department prefers not to entitle the entry in the Estimates a "loss". Mr. Barrenger, First Assistant Secretary of the Department, told us that the film was not produced in the first instance in order to make a profit :-

"COMMITTEE MEMBER: What amount was received from the showing of the film? - (MR. BARRENGER) The revenue from distribution amounted to £36,950. We rather dislike the term 'loss'; it was really net expenditure. It was never produced with the intention of making a profit. The net expenditure after allowing for revenue received was £36,110. 2. 3d. The £110. 2. 3d. is the £111 mentioned in the Supplementary Estimates.

Qs. 175,
177

..... (Question 177) The original cost estimate did not provide for the making of foreign language versions. The film proved so popular overseas that foreign language versions were made, and the German and Dutch versions alone cost another £2,000. On the assets side we have not included a statement that some £5,670 was spent on plant and equipment which remain a Commonwealth asset and are still available for use. That £5,670 is included in the expenditure figure of £73,000. As to the reference to a loss, the Department's view is that 'The Queen in Australia' was not made as a commercial proposition to earn money at the box office. It was produced primarily as an historic record of the first visit

to Australia by a reigning monarch, and as a means of presenting Australia in a favourable light to overseas audiences. The film footage obtained of Her Majesty's activities in the six States and the Australian Capital Territory is historically irreplaceable and is among the most valuable archival material in the Commonwealth's possession."

67. Your Committee accept the explanation of the Department. Nevertheless, we observe that, while it is important to have records of events of national and historic importance, it should be possible for them to be made without heavy cost to the taxpayer.

68. We asked whether the film would be used again and found that the Department was not certain :-

"COMMITTEE MEMBER: Is there any likelihood that the film will be used again, thus reducing the loss on production? - (MR. BARRENGER) I think that is in the lap of the gods. The Canadian Government produced a film on the visit of the Duke and the then Princess Elizabeth at the time they were in Canada and it had been practically in cold storage when King George VI passed away. Then that film became very popular and the Government made probably more money out of it than from its first showing. I should not like to see a similar position arise here, but it is difficult to answer the question for that reason.

Qs.178,
180-182

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COMMITTEE MEMBER: Does your Department keep this film in stock or do you suggest to somebody somewhere that it might be a worthwhile film to include in a programme, so that it might be shown again? Do you make any effort to encourage its showing somewhere? - (MR. BARRENGER) We have made no recent effort to encourage the showing of this film again.

COMMITTEE MEMBER: It has a value, historical and otherwise to the younger generation, and £36,000 could very well be only a small cost to propagate the sentiment which prevailed during the Royal Visit. In two years' time you might encourage its showing again to school children, or in children's programmes so that children who were unable to see its first showing will have the opportunity of seeing it? - (MR. BARRENGER) I appreciate the point made and I think we could keep it in mind. I cannot say whether the News and Information Bureau are doing that, but they have the custody of it.

COMMITTEE MEMBER: It will be tremendously valuable to show the young people of our nation. You might suggest that to the Bureau? - (MR. BARRENGER) Yes.

COMMITTEE MEMBER: Perhaps it could be shown to advantage on an occasion such as the Queen's birthday week-end? - (MR. BARRENGER) That is a good idea."

Division No. 610 - Items 4 and 5

Administrative: Miscellaneous - Mapping
Activities and Payments for Aerial
Photography

69. In 1954-55 the vote for "Payments for Aerial Photography" was £120,000, of which £76,000 are shown in the Finance Statement as spent. An amount of £12,000 was incorrectly charged to Item 5: it should have been charged to Item 4, "Mapping Activities - Payments for work carried out by States".

Q.236

70. After adjusting the expenditure on Item 5 for the incorrect posting, expenditure would have been approximately £64,000, little more than half the vote (£120,000). We were informed that the figure of £120,000 was included in the Estimates as a result of a Cabinet decision that not more than that amount should be spent in any one year on Mapping Activities in accordance with a decided programme:-

"COMMITTEE MEMBER: This figure of £120,000 for payments for aerial photography, if I understood you correctly, was a figure set by Cabinet as an upper limit? - (MR. JOHNSTONE) Yes.

Qs.255-
256

COMMITTEE MEMBER: It had no relation to a prepared estimate for the work? - (MR. JOHNSTONE) No, it was a limitation of that amount per annum for so many years."

71. We were informed that contracts were let for the whole of the Estimate figure, but could not be carried out because of bad weather. It is our opinion that it should have been possible to arrive at a closer estimate of likely expenditure than this. To place such estimates as these before the Parliament is contrary to the whole purpose of estimating. What is looked for in the Estimates is not a statement of a maximum permissible limit on expenditure, but an assessment of what funds can be expended, having regard to the desirability of and necessity for the expenditure.

72. The Department is responsible for most Common-

wealth mapping preparation. In obtaining information for its maps, the Department carries out its own surveys. Where possible it uses the information obtained by the States in the course of their mapping work and pays for it at a rate of 5/- a square mile, a rate "which is reasonable from our point of view". In 1954-55 the amount so paid was, adjusting for the error referred to above, £12,310 on an estimate of £12,000.

Q.237

Division No. 63B - Item 7

Meteorological Branch - Publication of Meteorological Data

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>	<u>1951-52</u>
	£	£	£	£
Vote	4,350	5,000	6,000	5,200
Expenditure	<u>659</u>	<u>711</u>	<u>4,190</u>	<u>3,696</u>
Over-estimate	<u>3,691</u>	<u>4,289</u>	<u>1,810</u>	<u>1,504</u>

74. Expenditure under this Item has regularly been over-estimated and the methods of estimating might well be reviewed.

75. Your Committee understand that the "data" for which funds are provided in this Item is not for use by Meteorological Officers or other persons in the process of forecasting or preparing weather maps. It is for publications concerning Meteorology, e.g. a Meteorological Observers' Handbook, a South Australian Rainfall Volume. The title of the Item appears somewhat misleading. We suggest it would be better if it indicated that the publications are of a less transient character than is conveyed by the use of the word "data". A more suitable title might be "Publication of Meteorological Handbooks and Volumes".

Qs. 245-246

DEPARTMENT OF WORKS

Defence Works Programme

76. In the Twentieth Report of Your Committee, we noted that the Department of Works based its programme of new defence works for 1954-55, amounting to £8,800,000, on an estimated total expenditure on defence works for the year of £9,500,000. Nevertheless, the Department was allocated £13,144,000 in the annual Estimates. Total expenditure on defence works during 1954-55 was £8,621,000. Thus the Department's estimating, while not entirely accurate, was optimistic by only 9 per cent. - £900,000 in £9,500,000.

20th
Report,
Para.
135

77. We discussed with representatives of the Department of Works and with the Auditor-General, Mr. H.C. Newman, who was formerly Assistant Secretary in the Defence Division of the Department of the Treasury, how an estimate of £13,144,000 had been submitted to the Parliament when the Department's estimate of expenditure was £9,500,000. The Department of Works subsequently advised us that :-

"A search has been made of Departmental files but the origin of £13,144m. is not apparent from the files. Also, there is no record of this figure having been referred by Treasury to the Department of Works prior to inclusion in the Estimates, and senior officers, with whom the figure might have been discussed, have no recollection of any such discussion.

It is pointed out that the 1954-55 programme was prepared in accordance with a new procedure for Defence works which was not promulgated by Treasury until October, 1954. This procedure provides, *inter alia*, that the programmes to be submitted for the approval of the Cabinet Committee on Works shall be formulated by Treasury, Works and the Sponsoring Departments in consultation. The 1954-55 programmes were formulated during October, 1954, in accordance with this new procedure and based on an expenditure of £9,489m. as being the estimated maximum that could be achieved by the Department of Works.

The existing programme procedure requires that the Department of Works advises the estimated expenditure in the new financial year on works in progress at the end of the preceding financial year and,

also, in respect of each new project, the total estimated cost and the amount which, it is estimated, will be expended in the financial year. The Department of Works also estimates its capacity to get works done in the financial year.

In the light of this advice, the requirement of the Defence programme, the amount of cash likely to be available for Works expenditure, and the order of priority for New Works favoured by the Sponsoring Departments, a draft Works Programme and expenditure proposals for the financial year are formulated and submitted by the Treasury to the Cabinet Committee on Works for decision.

This procedure was followed in the formulation of the 1954-55 programmes in October, 1954."

78. The situation described above, already the subject of comment by Your Committee in the course of reporting on their examination of the accounts for 1953-54, is profoundly unsatisfactory. We note that a new procedure is now in operation. Marked improvements in estimating, and in the co-ordination of the estimates made and the funds voted, should result. If they do not, and the preparation of estimates for 1954-55 does not appear to augur well, then the conclusion must be that the revised procedure is not operating to the desired effect.

79. As we have indicated, the estimates of expenditure prepared by the Department of Works for 1954-55 were far closer to reality than were the estimates submitted to the Parliament. The following table sets out in more detail the expenditure and the carryover under the defence works programme for 1953-54 and 1954-55 :-

	Defence Works		
	1953-54 (Actual)	1954-55	
		(Estimate)	(Actual)
	£m.	£m.	£m.
Incomplete works, July	17.9	14.4	14.4
New commitments during year	5.8	8.8	6.9
	23.7	23.2	21.3
Less works expenditure (a)	9.8	13.1	8.1
Incomplete works, 30th June	13.9	10.1	13.2

- (a) These figures represent actual expenditure on works, exclusive of the administrative transfer.

80. It seems likely that, even if the Department of Works had been allocated funds according to its own estimate of expenditure, the effect on incomplete works on hand at 30th June, 1955, would have been small. The significant difference would be that £3,655,000 less would have been included on the Estimates for the year, i.e. the amount added to the original estimate prepared by the Department of Works for submission to Parliament for approval. Overall, incomplete works outstanding at the end of 1954-55 were some £700,000 less than at the end of the previous year. Thus little of the expected reduction in incomplete works eventuated. We recall that a year ago Your Committee indicated that they would "scrutinize with interest the actual results for 1954-55".

20th
Report,
P. 18,
Para.
136.

81. Your Committee propose to examine at a later date the general problems associated with defence expenditure. We are led inescapably to the conclusion that where the Defence Departments and the Department of Works have to co-operate, there is a serious absence of co-ordination. Two matters in particular have here engaged our attention :-

- (i) That, at least in 1954-55, the defence works estimates made by the Department of Works were either ignored or by-passed or both.
- (ii) Some estimates of works expenditure are submitted to the Parliament for approval without full consultation with the Department of Works, as in the case of Division No. 154, which we discuss below.

It is our view that measures ought forthwith to be taken to rectify the situation on both these matters.

Division No. 154

Department of Air - Maintenance

82.	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	1,400,000	1,200,000	880,000
Expenditure	<u>1,170,695</u>	<u>966,229</u>	<u>1,037,674</u>
Over-estimate	229,305	233,771	- 157,674

83. Repairs and maintenance for the Department of Air, for which funds are provided by this Vote, are under the control of the Department of Works. Expenditure on maintenance increased in 1954-55 and the explanation of the short fall of expenditure below the estimate rests, the Department of Air informed us, with the Department of Works. We therefore questioned representatives of the Department of Works about the over-estimate on Division No. 154.

Ex.No.
25/10.
App.X.

84. It appears that the Department of Air decided to undertake fairly extensive maintenance and repair works to its existing buildings. For that reason, it sought and obtained additional funds for 1954-55. It, and not the Department of Works, provided the Estimates figure of £1,400,000. Possibly this additional amount might have been spent, but the Department of Works concurrently experienced great difficulty in having its works carried out. Mr. Fleetwood told us that :-

Qs.757-
758

"In the current year (1955-56), the position is completely changed. The jobs that we re-voted are suddenly flushed up with men, and the expenditure on revoted items has far exceeded our anticipations. That is only because there probably has been a tightening of cash available for housing and other industrial development. As soon as there is a little tightening on those activities, men flock to government jobs thinking there is safe cover there. When things are good, government works do not appeal, and it is a difficult job to get men to do them. This year, we will not have that spectacle, because there is a tightness in other places and they are coming to us. Our works

Qs.833-
834

are fully manned at the moment and expenditure this year is exceeding our expectations.

COMMITTEE MEMBER: You say that expenditure is exceeding your expectations. In the light of your explanation, would it be safe for us to anticipate that, as a result of the changed circumstances in your current programme, you will have very little, if any, under-expenditure of your vote? - (MR. FLEETWOOD) I think I can say 'Yes' to that. For the reasons that I have outlined, there will be certain votes, particularly in the maintenance group - the unforeseens - that will not have been fully requisitioned and which will not be fully expended under certain headings."

85. Your Committee observe that works estimating cannot hope to be accurate when the sponsoring Department, having decided that it requires additional work, simply provides the Department of Works with a sum that it desires to spend during the financial year. When that sum represents what the Department hopes may be spent, and is above what the Department of Works has indicated that it can spend, it is natural to find unexpended funds at the end of the year. Your Committee regard the over-estimate on this Division (No.154) as exhibiting clearly all the worst features of over-estimating.*

Division No.248A - Item 1

Northern Territory - General Services -
Repairs and Maintenance

86.		£
Vote	150,000	
Additional Estimate	<u>10,000</u>	160,000
Expenditure		<u>164,432</u>
Supplementary Estimate		<u>4,432</u>

87. The over-expenditure, for which a Supplementary Estimate of £4,432 is sought, is caused mainly by the increased costs of labour and materials used for resealing roads, painting buildings and other repair works. We were advised that equivalent savings were made from other items

* See Chapter IV for a fuller discussion of "Over-estimating".

within Division 248A.

88. Special works problems are experienced in the Northern Territory because of the difficulty of attracting contractors to the Territory. It may in part be because of this that the establishment of the Department of Works for the Northern Territory is 119 (in Western Australia it is 89, in the Territory of Papua and New Guinea 95, in the Australian Capital Territory 256 and in New South Wales 429) :-

"COMMITTEE MEMBER: Can you entice contractors up there for just one job, after which they must come away again? - (MR. FLEETWOOD) That is the difficulty. That is one of the things that we would like to see relaxed. I have referred to the pipe-line. If we are trying to induce a big contractor to go to a particularly isolated place he often says, 'Can you guarantee a continuing programme?'. Of course, we cannot guarantee anything beyond the present year because we cannot anticipate Parliamentary approval.

Qs. 863-
865

COMMITTEE MEMBER: From the point of view of supervision, and all the difficulties associated with employment in the Northern Territory, it would be a good thing for you to get out of that field and let the work be done by contractors? - (MR. FLEETWOOD) A certain type of our work lends itself to contracts and we do as much as we can of that type of work by contract. It is mostly building work. We find it very difficult indeed to get engineering work done in the Northern Territory by contract. It is difficult in most places - so much so that the Air Force has taken one of their own Works Squadrons to build a runway at Darwin, with our help in the way of designs, supervision and materials. It would be hopeless to try to get contractors to do that kind of work. Also, a fair number of men are required up there. There are power stations to be kept operating, water supplies to be kept running, workshops for plant, and so on. Most of our day labour employees are engaged on such services as road construction and maintenance, water supply and sewerage, electrical works and so on. A negligible amount of day labour is used in connection with building. Contractors build all the houses, offices, town halls, schools and so on.

COMMITTEE MEMBER: Is it a fact that your work force up there - permanent and technical staff - would cost very much more than if they were in the Australian Capital Territory. I am speaking of allowances and that sort of thing? - (MR. FLEETWOOD) There is a living allowance of about £200."

89. Mr. Fleetwood, Assistant Director-General of the Department of Works, told us that the Department had recently been successful in attracting two large contrac-

tors from the mainland to New Guinea to build hospitals. He said that he thought it would be much easier to obtain tenders from large contractors "if you could guarantee them continuity of work". It is possible that tighter conditions in the building industry in New South Wales and Queensland have also assisted the Department in obtaining such tenders.

Q. 868

90. Your Committee understand that, although Parliamentary approval to the expenditure of funds cannot be obtained for works extending beyond the current financial year, it is an accepted practice for Departments to draw up programmes of works for some years in advance. By that means plans are laid, priorities can be determined and proper consideration can be given to the works before they commence. If that is the case, we question whether it is appropriate to state, as a reason for the inability to attract large contractors to an area, the absence of Parliamentary approval to the expenditure of funds beyond the current financial year. The existence of the "pipeline", to which reference was frequently made, and which represents some £13million in Defence Works alone, seems to cast further doubt upon this explanation.

Q. 863

Qs. 847-
848,
863

91. It is to be hoped that, as works projects expand in the Territories, the Department will be successful in obtaining the services of large independent contractors for much of their work.

DEPARTMENT OF COMMERCE AND AGRICULTURE

Division No. 86B - Item 3

Administration of Commerce (Trade Descriptions)
Act 1905-1950 - Payments to States

92.	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	65,500	31,000	18,000
Expenditure	<u>56,777</u>	<u>29,066</u>	<u>26,690</u>
Section 37 Transfer to Other Items	2,523	-	-
Over-estimate	<u>6,200</u>	<u>1,934</u>	<u>- 8,690</u>

93. Payments from this Item are made to the States for the services they render in the inspection of fresh fruits, plants, vegetables and other items for the Department of Commerce and Agriculture, to maintain the quality of goods for export. During 1954-55 the method of reimbursement to the States for their inspection services was changed from a flat rate to an actual cost basis. The change was made because the States were losing by the arrangement :- Q.316

"(MR. JOHNS) ... Consequently, in order to maintain equity between the Commonwealth and the States, we shall now pay for the services on the basis of what it costs the States as they have the personnel. This is not a full time job for the States; it dovetails in with their own requirements." Q.321

94. The Department ran short of funds on Items 2, 3, 4 and 5 of this Division (No. 86B). These Items are respectively for Postage, etc., Payments to the States (the Item under discussion), Payments to the Australian Wheat Board for inspecting flour mills and Incidental Expenditure. Further funds (£28,000) for payments to the States were obtained through Additional Estimates, and some of the surplus that resulted was subsequently transferred to Items 2, 4 and 5.

95. We were informed by the Treasury representative that the Treasury does not normally issue authority for a Section 37 Transfer from an amount obtained in Additional Estimates. This Transfer "was an inadvertent departure Q.315 from that policy".

96. The Transfer in Division No.86B raises another point. It was made although the Department had suggested that additional funds might be obtained through Supplementary Estimates. The normal procedure seems to be that Departments indicate to the Treasury that further funds will be required. The Treasury then decides whether it would be appropriate to make a Section 37 Transfer, and notifies the Departments accordingly. Your Committee are of the opinion that it ought to rest with Departments, in the first instance, whether or not they desire to make application for a Transfer under Section 37. (The alternative to obtaining a Transfer is to receive the funds from the Treasurer's Advance Account, approval subsequently being obtained to the expenditure in Supplementary Estimates).

97. If the Treasury makes Section 37 Transfers on its own initiative, the funds in the Treasurer's Advance Account that are thereby not taken up may be used in furtherance of the practices we consider undesirable, i.e., using the Treasurer's Advance for purposes of administrative convenience in a way not envisaged in the original purpose of the Vote. Your Committee recommend that the process leading up to the approval of Transfers under Section 37 of the Audit Act be reviewed. The review should keep in mind :-

- (i) The desirability of making Transfers only between related Items.
- (ii) The importance of submitting the request for extra funds to the Parliament for scrutiny whenever the request is out of the ordinary.

Division No. 88A - Item 2

Division of Agricultural Economics -
Temporary Staff

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	21,000	19,000	22,000
Expenditure	<u>24,758</u>	<u>22,887</u>	<u>19,900</u>
Supplementary Estimate	3,758	-	-
Section 37 Transfer	-	3,852 ^(a)	546 ^(b)
Surplus	<u>-</u>	<u>-</u>	<u>1,554</u>

(a) Transfer from Item 1. (b) Transfer to Item 3.

99. The funds for temporary staff are used by the Division of Agricultural Economics to pay for assistance in the analysis of surveys. The field staff are normally permanent members of the Division, but temporaries assist in examining the material gathered and in producing the Reports. We were informed that it is difficult to estimate accurately the funds required for surveys because very often the Government will request a survey during a financial year.

Qs. 265-
271

100. All survey costs are borne on the vote of the Division of Agricultural Economics. However, amounts expended in making surveys, etc., of the wool industry are recoverable from the Wool Research Trust Account. This is why the recovery in 1954-55 from the Wool Research Trust Account to the Vote of the Division is greater than the estimate (£14,818 instead of £9,400). The result is that the additional funds required are considerably less than they would have been had the whole of the increased expenditure been found by a Supplementary Appropriation.

101. Your Committee also enquired whether any special arrangements are made for the return of field survey staff to their homes during the course of a survey.

Mr. Carney, Technical Administrative Assistant of the

Department, told us :-

"COMMITTEE MEMBER: Take the case of a member of the field staff who is sent from Canberra to Western Australia. Is there anything in the Public Service Award that requires your Department to allow him to come back to Canberra after he has served for a certain period in Western Australia? - (MR. CARNEY) No.

Qs. 280-282

COMMITTEE MEMBER: Is there a domestic arrangement in the Department whereby a man can return to his home station after a certain period away? - (MR. CARNEY) It depends on the locality. If there is a survey in a far distant State - say Western Australia - we try to cover the area quickly so that men will not be out for an undue length of time. In such a case we put on double the number of men that we would send to, say, Victoria. We cover it in that way. Instead of sending one man, we send two.

COMMITTEE MEMBER: Would you expect them to remain there until the work was completed? - (MR. CARNEY) In an area like that, yes."

102. Subsequently the Department informed us by memorandum that there are no special provisions made in the Public Service Act and Regulations setting out the frequency of return of officers during a tour of duty, nor is there an agreement operating within the Department concerning such returns. The Department continues :-

"The frequency of return depends on a number of factors such as the urgency of the survey being conducted, the location of the officers, the availability of replacements or conditions of hardship.

From the records held in this office, it has been found that the average time spent in the field in distant States, such as Western Australia and Queensland, is 7 weeks and 5 weeks respectively. The period is slightly less in the States of New South Wales and Victoria."

Division No. 88B - Item 4

Division of Agricultural Economics
- Printing

103.	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	5,000	9,000	9,500
Expenditure	4,165	4,580	7,328
Section 37 Transfer to Item 1	835	4,420	-
Over-estimate	-	-	2,172

104. The expenditure anticipated by the Division of Agricultural Economics for printing has, since the introduction of this Item in 1953-54, been over-estimated. It seems strange that this should be the case when the costs of surveys appear, on the whole, to have been under-estimated.

105. The Department informed us that the reason for the over-estimate in 1954-55 was the backlog in the handling of printing by the Government Printer. We were informed that :-

"To recover the position and get the important reports out on time the Government Printer has now agreed to let sub-contracts, e.g. Beef situation report is now coming out ex a sub-contract."

Ex.No.
25/7,
Page -

106. All the Division's publications are first offered to the Government Printer, and in obtaining private contracts "any quotes are submitted to him for approval". Although the Department pays for the printing, it is done through the agency of the Government Printer. Mr. Carney told us that he did not think the cost of printing was noticeably higher under the sub-contracting arrangement, and that the service received is satisfactory.

107. Your Committee record this use of printing facilities other than those of the Government Printer. We suggest that a close watch be kept to ensure that as a result the cost of printing to the Commonwealth is not significantly increased. If the Government Printer is unable to carry out all the printing required by Commonwealth instrumentalities, consideration should be given to increasing his plant and personnel, unless the work can be done more efficiently and economically by private printers.

DEPARTMENT OF SHIPPING AND TRANSPORT

Division No. 198 - Item 2

Miscellaneous Services - Tasmanian
Shipping Service Subsidy

108.	1954-55
	£
Estimate	150,000
Expenditure	<u>160,241</u>
Supplementary Estimate	<u>10,241</u>

109. Since 1950 the Commonwealth has paid a subsidy to Tasmanian Steamers Pty. Ltd. in order to maintain S.S. "Tarcoona" as the sole remaining surface passenger link between Tasmania and the mainland. From an amount of £16,000 in 1950-51, the subsidy has grown steadily. In 1952-53 it was £139,000 and for 1955-56 is estimated at £360,000.

110. Although the subsidy is paid in full by the Department of Shipping and Transport, an amount of £16,000 per annum is recovered from the Postmaster-General's Department. It is a contribution towards the carriage of mails on "Tarcoona".

111. The subsidy was increased in 1955-56 because "Tarcoona" was scheduled for a four-yearly Lloyd's Survey at the Cockatoo Dock and Engineering Company, Sydney, in 1956. The Survey is expected to reveal the need for extensive repair operations, and the Government has agreed to meet the additional costs of it.

Ex. No.
25/14,
Page 2

112. The previous Survey was in 1952. We were informed that, up to 1950, the Company had created reserves in the normal way in order to meet the costs associated with it, but had refused to make them available when the Survey of 1952 was being made :-

"COMMITTEE MEMBER: You told me a little while ago that Tasmanian Steamers Pty. Ltd. has created

Qs. 920-
922

reserves in order to meet the costs of Lloyd's Survey. You say, on the other hand, that the Government met the whole of that cost? - (MR. WILSON) If I could correct that, I do not think I said that the Company provided the money to pay for this Survey. It did make provision in its accounts from which to meet Survey payments. However, the Company has not made provision for the cost of Surveys since the ship became a subsidy vessel in 1950.

Qs. 920-922

COMMITTEE MEMBER: Is it likely that it will contribute to the cost of the Survey next year? - (MR. WILSON) It seems unlikely.

COMMITTEE MEMBER: We will go on paying for that 4-year Survey, irrespective of the reserves that have been created by Tasmanian Steamers Pty. Ltd.? - (MR. WILSON) That is so."

113. Mr. Wilson, Finance Inspector of the Department of Shipping and Transport, also told us that the Company declined to accept responsibility for the 1956 Survey. He explained that the Company :-

Q. 926

"knew that as it was an ageing ship the cost of putting it through survey would be very extensive. The accounts of Tasmanian Steamers Pty. Ltd. showed that they had not the liquid funds to meet that cost. To use a colloquial expression, they stood pat and said, 'We are sorry. We cannot put the ship through survey'. That was included in a Cabinet submission and Cabinet approved of the ship being put through survey in 1956 at Commonwealth cost knowing that the service had to be sustained and continued."

114. Not only did the Commonwealth accept the responsibility for putting "Taroon" through the Survey, but also agreed to meet the additional costs of chartering a replacement vessel ("Moonta") during the Survey. We were informed that, because "Moonta" had only an intrastate certificate and not one for interstate trade, a further certificate was required. She had to be opened up for a partial survey, and the Commonwealth paid for this too.

Ex. No.
25/14,
Page 2

115. The Department explained the Supplementary Estimate of £10,241 as follows :-

<u>"Re 'TAROONA'"</u>		£	
Adjustment of subsidy payment in respect of period to 30th April, 1954	5,321		Ex. 25/14 Page 2.
Progress payment due October, 1954	70,000		
Progress payment due March, 1955	70,000		
Progress payment in respect of period 1/5/54, to 30/4/55	16,000		
	<u>161,321</u>		
LESS amount recoverable from Postmaster-General's Department	<u>16,000</u>	145,321	
<u>Re 'MOONTA'</u>			
Hire charges from 16/5/55 to 30/6/55	9,020		
Progress payment of cost of opening up and inspecting the machinery on the vessel 'MOONTA' prior to the vessel entering interstate trade	<u>5,900</u>	<u>14,920</u>	
NET SUBSIDY PAYMENTS 1954/55		160,241	
ANNUAL APPROPRIATION 1954/55		<u>150,000</u>	
SUPPLEMENTARY ESTIMATES 1954/55		<u>10,241</u>	"

116. We understand that in respect of the 12 months ending 30th April, 1956* the Commonwealth will be called upon to pay an amount of £99,797 for the operations of "Taroona" and "Moonta". This is on the basis of 57 trips by "Taroona" and 53 trips by "Moonta". Charter money paid direct to the Adelaide Steamship Company Ltd. is not included in this figure, and would have to be added to give the total subsidy. The charter was originally for three months, later extended to six (from May to December, 1955), and the charter payments amounted to £48,000.

117. We asked what precautions the Department takes to ensure that the funds made available as subsidy are

* The financial year for Tasmanian Steamers Pty. Ltd. is from 1st May to 30th April and therefore does not correspond to the financial year of the Commonwealth, to which the figures in previous paragraphs relate.

properly used :-

"COMMITTEE MEMBER: Since the Government is merely the agent for the company that owns 'Tarcoona', what kind of supervision is exercised by the Commonwealth over the actual operation of the boat? Do you test it for efficient working? - (MR. WILSON) Only insofar as the accounting is correct and the carriage of mails is uninterrupted. The agreement provides for the free carriage of mails so far as the company is concerned. The P.M.G. pays us. They are expected to handle any mails. They are not expected to increase fares or freights without reference to the Department. I think it would be virtually impossible to exercise supervision over their efforts to attract business. It being a tourist ship, carrying limited cargo and principally freezer cargo, I think it would be necessary to stand on the doorstep, shall we say, and see that they are attending to the customers as they come in and providing berths. I think it could be accepted that the company is anxious to attract as much business as it possibly can. Statistics show that heavy inroads have been made into that service by air traffic. From time to time we have explored ways and means of increasing the receipts and keeping them up so far as we can in collaboration with the company by attracting business and seeing in which way we can increase the service given by the 'Tarcoona', but there is a limit to what you can do in that regard.

Qs. 954-956

COMMITTEE MEMBER: The 'Tarcoona' owners get not merely a subsidy from the Government for keeping the ship going, but they also retain whatever they can earn in the shape of traffic which they can attract? - (MR. WILSON) No.

COMMITTEE MEMBER: It is more or less a cost-plus system? - (MR. WILSON) All we pay to the company is the difference between expenditure on operation and receipts, plus an allowance for management, profit of 4% on shareholders' funds, and a fixed annual rate of depreciation."

118. Payment by the Postmaster-General's Department for the carriage of mails on "Tarcoona" is at a flat rate of £16,000 and has not been altered since 1950. This particular payment cannot be identified in the Estimates and we were informed that it is not directly related to the actual cost of carrying the mail. Indeed, we were told by Mr. Wilson that :-

Qs. 907-912

"In point of fact, it could be that, at the present time, the £16,000 would normally be insufficient to meet the actual cost of the carriage of these mails."

Q. 906

Only second-class mail matter is carried on "Tarcoona".

119, Your Committee find the situation in respect of the subsidy to Tasmanian Steamers Pty. Ltd. anomalous because :-

- (i) The Company appears to be able to dictate terms to the Commonwealth, including the retention by it of a reserve that would properly have been used at the time of the 1952 Survey;
- (ii) The payment made to the Postmaster-General's Department for the carriage of mails appears to have been fixed arbitrarily and has not been reviewed since then.

We understand that the Department is at present investigating the possibility of substituting for "Taroona" a smaller, more appropriate and less costly vessel. Since all Governments and parties are agreed that shipping connections with Tasmania must be maintained, the efficiency and economy of the arrangement adopted are the only important questions.

Division No. 94B - Item 8

Marine Branch - Payment to Postmaster-General's
Department for the Inspection of Maritime
Radio Installations

120. This Item appears on the Estimates for the first time in 1954-55. No funds were provided in the Annual Estimates for the year, but an amount of £8,000 was included in the Additional Estimates.

121. For many years inspections of the Department's radio installations were carried out without charge by the radio inspectors of the Postmaster-General's Department, and the Item was included in the accounts for the first time in 1954-55 because of the progressive adoption by that Department of commercial accounts. The estimated

annual cost to the Postmaster-General's Department is £8,210. It was arrived at by taking account of the actual cost of labour, plus departmental transport, plus 20% on labour for Superannuation, office accommodation, light, power, stationery, overhead and supervision.

122. If, as a result of the progressive changeover of the accounts of the Postmaster-General's Department to a commercial basis, many Items of this nature are to be included in the Estimates, Your Committee recommend that some method of indexing them be adopted. It is useful to know what interdepartmental transfers are taking place, and such an index would be a valuable addition to the Estimates Papers. It might be made of general application, so that interdepartmental transfers can quickly be located.

DEPARTMENT OF THE NAVY

GENERAL COMMENT

123. Your Committee are dissatisfied with the estimating of the Department of the Navy. If the reason for the prevalent over-estimating is that funds have been too readily available, then we reiterate our view that this factor is inconsistent with economical functioning. If the reason for the inaccuracies is bad estimating in general, then we consider that the whole system of financial control should be reviewed. The changes of which we were informed by the Department's representatives do not appear to have been adequate :-

"COMMITTEE MEMBER: We were told by the Department of the Army that a separate section, apart from the accountancy section, had been established in that Department in order to police the estimates and expenditure, so that the position from month to month could be watched. It seems to me that you require similar assistance? - (MR. BEAUMONT) We have

Qs. 1133-
1134

introduced something similar, although not quite the same. In Air, they have a finance man attached to each equipment branch. Our system is somewhat different. We have three officers going through the equipment branches investigating their estimates and carrying out a review of the estimates each month. They have the same function as the officers you mentioned in the Department of Air, but operate differently.

COMMITTEE MEMBER: Mr. Brown, in the light of our report last year about the extraordinary volume of over-estimating that had occurred, has the Public Service Board undertaken a 'Section 17' investigation? - (MR. BROWN) An investigation was carried out, and the alterations in the Department of Air were a consequence of that. In due time, the Board might adopt a similar procedure in relation to the Department of the Navy."

Your Committee recommend a general review of the financial and accounting arrangements of the Department of the Navy.

Division No. 109B - Item 1

Permanent Naval Forces - Provisioning and Allowances in lieu of Provisions

124.	<u>1954-55</u>
	£
Vote	1,132,000
Expenditure	<u>973,399</u>
Over-estimate	<u>158,601</u>

125. The reasons for the over-estimate are, the Department explained, that 745 less personnel than estimated were on strength during 1954-55; and that a credit of £40,000 was received from the R.A.A.F. "in respect of transactions from provisions supplied in previous financial years".

Ex.No.
25/16,
Page 5

126. We have since been informed by the Department that the credit from the R.A.A.F. was for £36,000, and related to provisions supplied ex H.M.A.S. Tarangau between October, 1953 and June, 1954. We have been assured that a new procedure has been instituted in accordance with which claims are settled within approximately two months of the

Qs.1103-
1113

delivery of the stores.

Division No. 111B - Items 1 and 3

R.A.N. College - Travelling and Subsistence
and Clothing

127. Votes and expenditures in recent years for Item 1, Travelling and Subsistence Expenses of the Naval College, are :-

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	8,000	8,000	8,000
Expenditure	<u>6,885</u>	<u>6,990</u>	<u>7,060</u>
Over-estimate	<u>1,115</u>	<u>1,010</u>	<u>940</u>

128. We were informed that the Estimates are usually made up on the basis of the previous year's expenditure, because for an Item such as this "it is not possible to gauge expenditure with any degree of certainty".

Ex.No.
25/16,
Page 5

129. Your Committee would have thought that on the basis of the figures quoted above, an estimate of £7,000 would have proved nearer to the mark. Noting that for 1955-56 the Vote is £5,000, we asked whether the reduction was made as a result of the over-estimates of previous years. We were told that the figure was inserted by mistake and have since been informed that the correct entry is £9,000. The amount was increased to permit an adjustment to cover travel expenses from outside establishments to the College.

Qs. 1119-
1125

130. Item 3 of this sub-division is for Clothing for the Naval College - including uniforms and the kit up-keep allowance. Expenditures compared with the Votes over the past three years have been :-

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	23,000	23,000	25,000
Expenditure	<u>18,420</u>	<u>19,699</u>	<u>19,048</u>
Over-estimate	<u>4,580</u>	<u>3,301</u>	<u>5,952</u>

131. Your Committee are concerned at the inaccuracy of the estimating on relatively minor items such as these. Referring to the estimates for this Item, we asked :-

"COMMITTEE MEMBER: You said you get advice from the Captain of the College. It does seem that this estimate is prepared without relation to reality, because it is not a big item and the variations in the estimate amount to a substantial percentage - in this instance an over-estimate of about 25%. We have had evidence on other occasions of tightening up in departments on this question of estimates. In view of the combination of things we have discussed up to date, is it possible to have a tightening up of the estimates, throughout the department, on these relatively minor things which, in the aggregate, are substantial? - (MR. BEAUMONT) I think I shall have to insist on more detail than we have been getting in regard to these small items."

Qs. 1132

132. Your Committee consider that, with a little care and forethought, estimates far more accurate than these could be submitted by the College to the Department. We recommend that the necessary steps should be taken to obviate inaccuracies.

Division No. 114 - Item 6

General Services - Special Training Fees
for Naval Aviation

133. In the Twentieth Report, Your Committee commented upon the delay experienced by the Department in the lodgment of claims from the Admiralty. Among them were claims for training R.A.N. Personnel in naval aviation. Last year the Department was unable to indicate what commitments were outstanding, but this year stated that they are as follows :-

20th
Report,
Page 16
Paras.
117-118

	£	Ex. No.
"Outstanding commitments at 30.6.54	174,000	25/16,
New commitments 1954-55	<u>476,000</u>	Page 7
	650,000	
<u>Less</u> amount estimated to be unexpended at 30.6.55	<u>150,000</u>	
Amount provided in Estimates 1954-55	500,000	
Actual expenditure, 1954-55	<u>401,178</u>	
Under-expenditure	<u>98,822</u>	"

These figures are available because the Department is now keeping a detailed record of liabilities incurred since 1st July, 1953.

134. It is not clear, either to the Department or to Your Committee, why so many claims should still be outstanding. However, the Department advised us that none are outstanding for courses prior to March, 1953. The Department is taking steps in an endeavour to ensure that outstanding claims are rendered without undue delay. Qs.1173-1179

Division No.117

Naval Construction

135. The Department informed us that outstanding liabilities for ships at 30th June, 1954 were estimated at £25,246,000. A year later they were estimated to be £20,180,000. During 1954-55 new commitments entered into amounted to £1,685,000. We were unable to ascertain whether the outstanding commitment of £20,180,000, representing a reduction of £5,066,000 on the previous year, is considered reasonable. It is vitally affected by government decisions as to ships to be built. As far as we were able to ascertain, no particular regard is had, in ordering new vessels, to amounts outstanding in previous years. Ex. No. 25/16, Page 10 Qs.1186-1187

136. Your Committee think the commitments outstanding are still higher than desirable in the light of the apparent capacity of shipbuilders to complete ships. Only one is to be delivered in 1955-56. Q.1187

Division No. 120

Miscellaneous - Stiffening Measures
for Merchant Ships

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	44,000	70,000	90,000
Expenditure	<u>24,097</u>	<u>20,722</u>	<u>45,418</u>
Over-estimate	<u>19,903</u>	<u>49,278</u>	<u>44,582</u>

138. The estimate for this Division comprises three Items - one for stiffening measures for merchant ships, one for claims arising out of World War II, and one for research into fouling organisms. The estimates for these Items in 1954-55 were respectively, £25,000, £17,000 and £2,000.

139. In the Twentieth Report Your Committee commented on the over-estimates for this Vote. In 1954-55 only £4,900 of an estimated £25,000 was expended on stiffening measures. No entry appears in the Estimates for 1955-56 because it has been decided that, as a matter of policy, the Navy will not provide funds for stiffening merchant ships. 20th Report, Page 17 paras. 122-124 Q.1195

140. On the other items contained in this Division, expenditure was as anticipated: £2,000 on research on fouling organisms and £17,000 on claims arising out of World War II.

141. The Department agreed that the estimating for the major item in this Division, stiffening measures, was bad. Qs. 1188-1194

DEPARTMENT OF THE ARMY

Division No. 127B - Item 3

Australian Regular Army - Fuel, Light,
Power, Water Supply and Sanitation

142.	<u>1954-55</u>
	£
Vote	390,000
Expenditure	<u>442,923</u>
Section 37 Transfer from Item 5	<u>52,923</u>

143. The reason for the over-expenditure is that there was a general increase in prices for the services and commodities covered by the Item. In addition, although an overall saving was achieved by connecting at least two major Army establishments to civilian electricity supply, there was an increase in this item, representing payments for the supply. Mr. McKnight, Secretary of the Department, told us that at Wallangarra, for example, the cost to the Army of providing its own electricity had been approximately £17,000 per annum. The annual cost of using the local supply is estimated to be in the vicinity of £9,500. (The equipment no longer in regular use was not disposed of, but is retained against an emergency).

Ex.No.
25/9
Pages
1-2

144. In view of the savings made by joining establishments to local supplies, we recommend that the service Departments should investigate the desirability of linking Service establishments to civilian electricity supply.

Qs. 394-
400

Item 5 - Rations

145.	<u>1954-55</u>	<u>1953-54</u>
	£	£
Vote	1,101,000	1,260,000
Expenditure	<u>279,103</u>	<u>1,144,000</u>
Over-estimate	<u>821,897</u>	<u>116,000</u>

146. The funds voted for this Item are used to finance the purchase of ration supplies. From the one store they are issued to the Regular Army, the Citizen Military Forces, National Service Trainees, R.A.A.F. Darwin, and British Commonwealth Forces in Korea (B.C.F.K.). The initial entry in the Estimates is under Item 5; but, along with other Items in Division No.127B, a credit is entered when the supplies are issued to other users.

Ex.No.
25/9,
Page 2

Q.406

147. In the Twentieth Report, Your Committee noted that amounts originally voted in Item 6 of Division No. 127B were subject to deduction in respect of expenditures made under Division No.129. As a result of our comments, a new entry was placed at the foot of Division No.127B in the Estimates for 1955-56, indicating that amounts are deductible: it reads "Less an amount chargeable to Division No.129B". Division No.129 covers appropriations for the Citizen Military Forces and Cadets.

20th
Report,
Page 11,
paras.
59-62

148. We think the new entry might be made more informative. For instance, it might be possible to expand it to read "Less amounts from Items 5, 6 and 7 chargeable to Items 1, 2 and 3 of Division No.129B".

Qs.413-
416

149. The cost of the issue of stores to the Regular Army, the Citizen Military Forces and the National Service Trainees is calculated from the cost of the daily ration per man in the Army. To obtain the entries on the Estimates, the daily ration cost is multiplied by the estimated number of personnel days to be spent in camp during the year.

Q.406

150. The Department prefers to charge issues from stores on the basis of an average daily ration cost per man, rather than on the basis of detailed charging for issues. (It is only when issues are made to Forces in Japan and Korea that the charge is settled after detailed costing). The averaging method seems to have been .

Q.420

adopted for similar purposes by all the Service Departments. Although it may lead to some anomalies, the savings in clerical and accounting work achieved by calculating average daily rates may offset the advantages of more accurate estimates and the savings that could accrue from closer control of the issue of stores. Your Committee recommend that a close watch be kept to ensure that the costing basis is kept in line with actual costs, that estimating is accurate and that no stores irregularities occur.

151. The over-estimate for 1954-55 was largely caused by the running down of stores following the reduction in the strength of B.C.F.K.

Q.424

Ex.No.
25/9,
Page 3

Division No. 186L

Recruiting Campaign

152. In the Twentieth Report, Your Committee commented upon the fact that the Vote for the Recruiting Campaign was placed among the Estimates for the Department of the Army. In the Estimates for 1955-56 a new section, entitled "Other Services", is included in the Defence Services Estimates. The section contains votes for Civil Defence, for Administration of the National Service Act 1951-52, for Recruiting Campaign, for Reconditioning of Marine Salvage Vessels and for Defence Equipment and Supplies (to Trust Account). The Vote for the Recruiting Campaign was formerly Item 12 of Division No. 130: it is now Division No. 186L.

20th
Report,
Page 12,
paras.
75-78

153. In the Twentieth Report a letter from the Minister for Defence was quoted. The Minister's view is that it would be more appropriate to include the vote for recruitment with the Votes of each Service Department. The present entry in the Estimates is a compromise between

this view and retention of the Item under the General Services Vote for the Department of the Army (where it was, until 1955-56, included as Item 12 of Division No. 130).

154. Your Committee are not satisfied that the present solution is appropriate. Division No. 186L - Recruiting Campaign - is stated as "Under control of the Department of the Army". But we were informed that the only functions that Department performs in respect of the Vote are those of accounting, and those only because the Department of Defence does not have a separate accounting organisation :-

"COMMITTEE MEMBER: Do you pay amounts for all the other services or is that apportioned to them? - (MR. McKNIGHT) No. The whole recruiting vote is provided under 'Other Services' and administered by the Minister for Defence. But the actual ledgers are kept in the Army accounts section.

Qs. 440-
445

COMMITTEE MEMBER: Previously, it was a charge against the Army vote, but now it is a separate vote under 186L? - (MR. McKNIGHT) That is right.

COMMITTEE MEMBER: Coming to Item 12 - Recruiting Campaign - apparently this is charged against the Army but it is under the control of the Department of Defence. You have responsibility without authority in regard to it? - (MR. McKNIGHT) Yes.

COMMITTEE MEMBER: What part do you take in the actual planning of the advertising? - (MR. McKNIGHT) Nil. It is all done by the recruiting organisation which is responsible direct to the Minister for Defence.

COMMITTEE MEMBER: You have no control over the debits as you receive them? - (MR. McKNIGHT) No. They send in a claim and, if it is certified correct, we examine it and pay it.

COMMITTEE MEMBER: You do the same for the Navy and the Air Force? - (MR. McKNIGHT) No. Subject to correction, I do not think that any of the recruiting vote is recovered from any of the Services. As a matter of accounting convenience, it was included in the Army vote."

155. Because of these facts the Department of the Army disclaims responsibility for the Vote: it is only the accounting agency. The Minister for Defence also

Ex. No.
25/9,
Page 4

disclaims responsibility for the Vote.*

Q.448

156. We understand that the expenditure authorised under Division No.186L would be difficult to apportion to the various Services. We were also informed that each Service would expend further money in the course of recruiting personnel. It is the opinion of Your Committee that either the Department of Defence should assume full control for this Vote and for the funds expended, or else that each Service Department should be made responsible for its own expenditures. The entry on the Estimates would appear accordingly.

Qs.451-453

157. We observe that other joint services are provided for on the votes of the Department of Defence, e.g. the Signals Branch and the Joint Intelligence Bureau. They are not headed "Under Control of the Department of the Army". There does not seem to be any compelling reason why the Recruiting Campaign Vote should not be dealt with similarly, although we can see that some difficulties may arise if it is placed on the Estimates of the Department of Defence. On the other hand, we consider that the reasons leading to the separation from the Estimates for the Department of Defence of the Votes for Civil Defence (Division No.186) and the Administration of the National Service Act (Division No.186K) do not apply with the same force to the Vote for the recruiting campaign. We therefore recommend that the Vote be either allocated among the Service Departments or shown as the responsibility of the Minister for Defence.

* His letter is quoted in full at Appendix No.2 of the Twentieth Report, ordered to be printed on 24th May, 1956.

Divisions Nos. 134 and 135

Arms and Equipment - Maintenance: and Arms.
Armament, Ammunition, Mechanization
and Equipment

158. The vote for Division No. 134 during 1953-54 and 1954-55 has been over-estimated as follows :-

	<u>1954-55</u>	<u>1953-54</u>
	£	£
Vote	6,550,000	8,800,000
Expenditure	<u>5,743,664</u>	<u>5,725,747</u>
Over-estimate	<u>806,336</u>	<u>3,074,253</u>

159. The Estimate is based upon a procurement programme covering Items of Ordnance Stores, Engineer Stores and Medical and Dental Stores. In its preparation, account has to be taken of certain credits that are received from B.C.F.K. for stores, from sales of materials to contractors, and from Army Stores issues of building materials for works projects.

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Page 8

160. The under-expenditure on the vote was caused by :-

	£
(i) Receipt of excess credits from B.C.F.K.	128,000
(ii) An over-optimistic assessment of the procurement of Engineer Stores	212,000
(iii) Failure to achieve the stores procurements planned for -	
Ordnance Branch	423,000
Medical Branch	<u>43,000</u>
	<u>806,000</u>

161. The following table sets out expenditures against estimates for Division No. 135 :-

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	18,402,000	8,795,000	14,590,000
Expenditure	<u>11,095,466</u>	<u>7,859,424</u>	<u>14,921,400</u>
Over-estimate	<u>7,306,534</u>	<u>935,576</u>	<u>- 331,400</u>

162. Your Committee were informed that the original Army estimate of expenditure under this Vote was £8,781,000. When funds were being allocated to the Defence Services it was decided that the Army should receive an additional amount of approximately £9,500,000. If the original estimate of £8,781,000 had stood, expenditure would have been £8,257,000, an over-estimate of £524,000. However, with the extra funds available, the Army ordered Centurion Tanks, and these account for the further expenditure of £2,838,000. The over-estimate then became £7,307,000. The Department explained the position in this way :-

"The Army estimate of expenditure under this Vote was £8,781,000. However, it was realised that the Government might be asked to accord, during the financial year, a high priority to the obtaining of Army capital reserve equipment. The Treasury, therefore, with the approval of the Government, added to the Army's estimate a sum of £9,621,000 as a cushion for unexpected expenditure which might arise if an attempt were made to secure larger quantities of Army reserve equipment.

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Page 10

Such an attempt was approved by the Government and as a consequence a number of Centurion Tanks were obtained from the United Kingdom and delivered towards the end of the financial year. An amount of £2,838,000 was brought to account in respect of these Tanks resulting in the expenditure of £11,095,466.

The Committee will note that, had the Centurion Tanks not been delivered in 1954-55, the Army's estimated expenditure of £8,781,000 would have been under-expended by £524,000. This shortfall in expenditure would have been attributable to the same factors as operated under Division 134."

163. The addition of sums of money of this order to any accurate estimate of the supplies likely to be available (and the original estimate appears to have been fairly

accurate) is virtually certain to result in over-estimates.²⁶

If it is a matter of Government policy that such sums should be added so that the Estimates may provide for a predetermined money total, then the amounts must and will be added. However, if the Estimates that are presented to the Parliament are to be in fact Estimates of Expenditure, such a procedure cannot be too strongly condemned.

164. Your Committee have already indicated that we hope at a later date to be able to examine in more detail the problems that arise in connection with Votes for the Defence Services, upon which the determination by the Government of a Defence Programme inevitably has effects.

Division No. 137

Maintenance - Works and Buildings

165.		<u>1954-55</u>	
		£	
	Vote	130,000	
	Additional Estimate	<u>57,000</u>	187,000
	Expenditure		<u>149,898</u>
	Over-estimate		<u>37,102</u>

166. The Department stated that the reason for obtaining the Additional Estimate of £57,000 was that, towards the end of 1954, it appeared that a higher rate of maintenance activity "was necessary to preserve Army buildings". The Department continued :-

"it was estimated that the sum provided of £130,000 would be fully spent; and provided requisitions for specific proposals could be placed by 28th February, 1955, a further sum of £57,000 could be spent during 1954-55.

Ex.No.
25/9,
Page 11

On this basis, Treasury approved the proposal to seek additional estimates for this Division. In the event it was not possible to place all the

²⁶ We recall our comments upon the Defence Works Votes, contained in paragraphs 76-81 above, under the Department of Works.

requisitions for specific proposals by the target date of 28th February, 1955, and the full additional amount was not, therefore, spent."

167. The Department admitted that the obtaining of the Additional Estimate had been a mistake. We report on this matter because it indicates something of the lack of care taken with some of their estimates by the Service Departments.

Qs. 561-570

DEPARTMENT OF AIR

Division No. 145 - Item 6

General Services - Freight and Cartage

168.	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	600,000	600,000	300,000
Expenditure	<u>761,273</u>	<u>589,591</u>	<u>642,107</u>
Over-expenditure	<u>161,273</u>	<u>-10,409</u>	<u>342,107</u>

169. Expenditure under this Item is to a great extent dependent upon operational moves and consequent stock transfers. During 1954-55 the moves were of a larger nature than those experienced in earlier years, e.g. the transfer of No. 5 Airfield Construction Squadron from Williamstown, New South Wales, to Darwin, Northern Territory, and the return of 91 Wing from Japan.

Ex.No.
25/10,
App.V

170. The additional funds required were financed by Transfers under Section 37 of the Audit Act from among Items 2, 3, 4, 5, 7, 8, and 10.

Item 7

Compensation for Hired Properties
and Equipment

171.	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	130,000	80,000	45,000
Expenditure	<u>107,724</u>	<u>192,755</u>	<u>112,845</u>
Surplus (+) Deficiency (-)	<u>+22,276</u>	<u>-112,755</u>	<u>-67,845</u>

172. In the Twentieth Report, Your Committee commented upon the inaccuracy of the estimate for this Item. Expenditure is, in 1954-55, closer to the Estimate than in previous years. Estimates for this Item are difficult to make because it is impossible to know in advance what accidents will occur and what amounts of compensation will be involved.

20th
Report,
Page 9,
Paras.
38-40
Q.674

173. Item 7 includes two forms of compensation :-

- (i) For properties hired from various persons and agencies, including such things as the hire of trucks from other Departments.
- (ii) To Members of the Forces or their families for accidents to Members.

Qs.674-
677

174. It seems to be agreed that the description of this Item in the Estimates is unsatisfactory. Your Committee recommend that some revision be made. It might be found appropriate to separate the Vote for compensation for hired equipment from that for compensation to personnel for injury.

Qs.678-
682

Division No. 147

Equipment and Stores

175.	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	17,633,000	13,597,000	10,800,000
Expenditure	<u>10,623,105</u>	<u>10,908,751</u>	<u>9,642,685</u>
Over-estimate	<u>7,009,895</u>	<u>2,688,249</u>	<u>1,157,315</u>

176. The Department explained that the chief reason for the over-estimate was "the inability of supply to meet demand". Furthermore, "new commitments authorised during 1954-55 were not as substantial as planned". The Department's explanation continued :-

Ex.No.
25/10
App.VII

"Time has proved, that the estimated expenditure in certain directions was too optimistic, but this could not be foreseen at the stage the estimates were prepared in detailed form. It is stressed that the total estimate, although far in excess of the achievement, was not unrealistic from the Air Force requirement point of view."

177. This frank comment by the Department confirms the suspicions of Your Committee that in large part the "estimates" of the Service Departments are not so much "estimates" as "hopes". We inquired whether the Department had received an extra allocation on the eve of the Budget in a manner similar to that of the Department of the Army, and were informed that the entry on the Estimates was the amount sought by the Department.

Q.695

178. The under-expenditure was so great that a special review was made by a representative defence Committee in December, 1954.

179. We understand that the inability to expend funds was approximately the same in respect of each of the three major sources, and that difficulties arise in estimating deliveries from overseas accurately because so many claims are made on the two major overseas sources

of armaments, the United States of America and the United Kingdom. Expenditure on the vote in the three major sources was as follows :-

Qs. 691-694

	<u>Estimate</u>	<u>Expenditure</u>
	£	£
Australia	10,517,000	7,505,000
United Kingdom	3,208,000	1,550,000
United States of America	3,908,000	1,568,000
	<u>17,633,000</u>	<u>10,623,000</u>

Q. 689

180. The major Item in Division No. 147 is for Aircraft Ancillary and other Technical Stores. Votes and expenditure for this Item in recent years have been as follows :-

	<u>1954-55</u>	<u>1953-54</u>	<u>1952-53</u>
	£	£	£
Vote	6,408,000	4,838,000	4,000,000
Expenditure	<u>4,263,177</u>	<u>4,294,511</u>	<u>3,552,392</u>
Over-estimate	<u>2,144,823</u>	<u>543,489</u>	<u>447,608</u>

181. Liabilities under this Item are steadily reducing: in 1952-53 they were £58million. They declined to £51million in 1953-54 and £45million in 1954-55.

Q. 685

182. The Department informed us that in 1955-56 expenditure is likely to be much closer to the Estimate. (The Estimate was reduced from £6.4million in 1954-55 to £5.8million in 1955-56). One of the reasons is that it took the Department of Defence Production (Australia) some time to tool up to the requirements of the defence programme. 1955-56 appears to be the first year in which that process will yield results in terms of receipts by the Services of goods and equipment planned for and ordered in previous years.

Ex. No. 25/10, App. VII

Qs. 686-688

183. At the end of the financial year 1955-56 Your Committee will re-examine the expenditure on this Item

and on the Vote as a whole.

Division No. 154

Maintenance

184. Your Committee discussed this matter in connection with our Report on the Department of Works. See paragraphs 82-85 above.

185. Here, we simply observe that if the Department of Works is to be responsible for carrying out the work required, it should also be responsible for estimates of cost and of the amount of works it can undertake within the year in question. Your Committee are of the opinion that there is room for improvement in the administrative arrangements associated with the planning and execution of works, especially works associated with the Service Departments.

Qs. 706-
713

CHAPTER VII

ITEMS EXAMINED BUT NOT REPORTED

186. In Chapter VI Your Committee report on the more important of the Items examined in connection with Supplementary Estimates, Variations under Section 37 of the Audit Act 1901-1955 and Over-estimates for the year 1954-55.

187. A Sectional Committee made a preliminary selection of Items for investigation by the full Committee. All these we considered, requesting and receiving written statements from the Departments concerned and in many cases also asking questions of their representatives during the hearings. We do not consider that all of these Items call for special comment in the body of our Report. However, in order that the Report may be complete, we list below the items examined but not specially commented upon in the Report:-

<u>Division and Item No.</u>	<u>Reason for Examination</u>	<u>Description of Item</u>
<u>Department of External Affairs</u>		
30B	Section 37 Variation	Legation - Philippines
36B - 1,2, 4 & 6	Over- estimate	High Commission - India
41B	Section 37 Variation	Other Representation Abroad
190	Supplementary Estimate	Overseas Representation
4 (CWS)	Supplementary Estimate	Overseas buildings, works, etc.
<u>Department of the Interior</u>		
61B	Section 37 Variation	Administrative Expenses
64B	Section 37 Variation	Commonwealth Observatory
65B - 2&6	Over- estimate	Forestry Branch - Office requisites and field equipment
218-6	Supplementary Estimate	Bulk oil installations

<u>Division and Item No.</u>	<u>Reason for Variation</u>	<u>Description of Item</u>
54-1	Supplementary Estimate	Acquisition of Sites - Northern Territory
<u>Department of Works</u>		
68B	Section 37 Variation	Administrative Expenses
69	Section 37 Variation	Repairs and Maintenance for other Departments
125	Over-estimate	Navy - Buildings, Works, Etc.
141	Over-estimate	Army - Buildings, Works, Etc.
153	Over-estimate	Air - Buildings, Works, Etc.
168	Over-estimate	Supply - Buildings, Works, Etc.
169	Over-estimate	Supply - Defence Research and Development: Build- ings, Works, Etc.
184	Over-estimate	Defence Production - Build- ings, Works, Etc.

Department of Commerce & Agriculture

87CB-1	Over-estimate	Intelligence Service - Relieving Staff
87GB-1,2,5	Over-estimate	Intelligence Service - U.S.A.
87HB-1,2,5	Over-estimate	Intelligence Service - India
87MB-1,2,3, 5	Over-estimate	Intelligence Service - Hong Kong
87NB-1-5	Over-estimate	Intelligence Service - South Africa
87QB-1,2,3	Over-estimate	Intelligence Service - Ceylon
87RB-1,2	Over-estimate	Intelligence Service - Northern Europe
87SB-1,2,5	Over-estimate	Intelligence Service - Southern Europe
88B-4	Over-estimate	Agricultural Economics - Printing
206-4	Supplementary Estimate	Wheat to Tasmania - Subsidy.

<u>Division and Item No.</u>	<u>Reason for Variation</u>	<u>Description of Item</u>
<u>Department of Shipping and Transport</u>		
95A-1	Supplementary Estimate	Shipbuilding Board - Salaries
95B-1	Supplementary Estimate	Shipbuilding Board - Incidental and other Expenditure
<u>Department of the Navy</u>		
109A-1	Supplementary Estimate .	Permanent Naval Forces - Pay and Allowances
112B-1-5	Over-estimate	Royal Australian Naval Reserves
114-8	Supplementary Estimate	General Services - Naval Cafeterias
115-2	Section 37 Variation	General Expenses - H.M.A. Ships
115-2-6	Over-estimate	General Expenses - H.M.A. Ships
118	Supplementary Estimate	Aircraft and Aero Engines
<u>Department of the Army</u>		
129A-1	Over-estimate	C.M.F. and Cadets - Pay and Allowances
129B-1-5	Over-estimate	C.M.F. and Cadets - Gen- eral Expenses
133-1	Over-estimate	Maintenance of Forces Overseas
136	Over-estimate	Buildings, Works, Etc.
142	Over-estimate	Maintenance (under con- trol of Department of Works)
<u>Department of Air</u>		
143A-1,4	Supplementary Estimate	Royal Australian Air Force - Pay and All- owances
144A	Section 37 Variation	Civilian Services
152	Over-estimate	Acquisition of Sites - Buildings (under con- trol of Department of the Interior).

CHAPTER VIII

C O N C L U S I O N S

Supplementary Estimates

1. The Treasurer is considering introducing Supplementary Estimates shortly after the end of the financial year, at the same time as the Annual Estimates for the following year are introduced. (Paragraph 7.)
2. Your Committee would regard such a change in the financial timetable as desirable, even though it may give rise to some problems if the Committee is to present a Report when the Supplementary Estimates are brought down. (Paragraphs 8,9.)

Treasurer's Advance Account

3. Your Committee and the Treasury now agree on the fundamental issues that arise out of the use of the Treasurer's Advance. (Paragraphs 10,11.)
4. Whilst the use of the Advance pending receipt of a Governor-General's Warrant is according to law, Your Committee will seek to ensure that this use will not infringe the principles of Parliamentary control of finance.* (Paragraph 11(i).)
5. Your Committee consider that the use of the Advance to permit Departments to incur recoverable expenditure on behalf of other Departments should be kept to a minimum. (Paragraph 11(ii).)
6. Your Committee consider that the aggregate sum voted as Treasurer's Advance should not at any time be exceeded. (Paragraph 11.)

* An opinion of the Solicitor-General as to the legality of this use of the Treasurer's Advance Account has just been received and Your Committee propose at an early date to examine the implications of that opinion.

7. Smaller proportions of the total Budget expenditure are involved in Supplementary Estimates for 1954-55 than for previous years. Your Committee regard this as a desirable trend. (Paragraphs 12-14.)

Section 37 Variations

8. Items within sub-divisions of the Estimates have not, during the life of the Commonwealth, been closely related. (Paragraphs 20,21.)
9. Your Committee are therefore of the opinion that the wide power of variation conferred upon the Executive by Section 37 of the Audit Act 1901-1955 should be used with restraint. (Paragraphs 21,22.)
10. The Treasury have indicated that the powers conferred by Section 37 will be used with restraint and Your Committee agree with the Treasury arrangements. (Paragraphs 23-25.)
11. It is possible that officers may be discouraged from the exercise of maximum economy if the powers conferred by Section 37 are too readily used. (Paragraph 27.)
12. Your Committee will scrutinise variations made under Section 37 to ascertain the reason for the inaccuracy in the original estimate and to watch for any by-passing of Parliamentary control. (Paragraph 26.)
13. The trend to a smaller annual total of transfers is satisfactory. (Paragraph 28.)

Over-estimating

14. Your Committee examine over-estimates because - (Paragraphs 29,30.)
 - (1) Estimates that 'err on the safe side' derogate from the effectiveness of Parliamentary con-

trol over expenditure and may, in aggregate, be misleading to Parliament and the public as to the volume of taxation required to cover the budget.

(ii) They may deprive other Departments of necessary funds.

15. Your Committee draw a sharp distinction between genuine savings and under-expenditures that are the result of bad estimating. (Paragraphs 31-34.)
16. Over-estimating, both in total and as a percentage of the total Budget expenditure, increased in 1954-55 :-

Unexpended Votes	-	£54,000,000
Percentage of Budget Expenditure	-	5.1%

(Paragraph 35.)

Defence Votes

17. The Treasury no longer "offsets" in the Additional Estimates for Defence Services funds unexpended against Items upon which further funds are sought. (Paragraphs 36-38.)
18. The most serious weakness in the control of Defence expenditures in 1954-55 arises from heavy under-spending: there is no incentive to keep within a finely calculated expenditure figure. (Paragraph 40.)
19. Your Committee detect an absence of realism in the activities of the financial and procurement branches of the Defence Departments. (Paragraph 41.)
20. Other countries have difficulties with Defence Appropriations. (Paragraph 42.)
21. Defence Services Votes are in important respects different from the Civil Votes. (Paragraph 41.)
22. Your Committee intend to examine Defence Services Votes at a later date. (Paragraph 43.)

Department of External Affairs

23. Division 17, Items 3 and 5: Postage and Courier Service -
- (i) Your Committee recommend that the Departments of External Affairs and Civil Aviation consult without delay concerning arrangements for diplomatic and safe hand mail; (Paragraphs 48-50.)
 - (ii) Your Committee suggest that Items 3 and 5 be placed next to one another in the Estimates. (Paragraph 51.)
24. Division 22B, Item 6: Indonesian Embassy, Incidental and Other Expenditure. - This estimate might have been more accurate and Your Committee believe better results would be achieved if other Incidental Expenditure Items were dissected. (Paragraph 55.)
25. Division 203: International Development and Relief. - Your Committee recommend that -
- (i) Details of expenditure should be shown for the Items in Division No. 203. (Paragraph 60.)
 - (ii) Division 203 should be included at a more appropriate place in the Miscellaneous Services section of the Estimates. (Paragraph 62.)

Department of the Interior

26. Division 61C, Item 12: Royal Tour Film "The Queen In Australia". - Expenditure on the production of the film (£73,000) was higher than expected and Your Committee recommend the use of the film on other occasions. (Paragraphs 63-68.)

27. Division 61C, Items 4 and 5: Mapping Activities and Payments for Aerial Photography. - Estimating on this Item was inaccurate, being a statement of an expenditure limit and not a true estimate. (Paragraph 71.)
28. Division 63B, Item 7: Publication of Meteorological Data. - Your Committee suggest a more accurate title to this Item. (Paragraph 75.)

Department of Works

29. Defence Works estimates have been unsatisfactory, largely because the activities of the Service and Works Departments have been insufficiently co-ordinated. (Paragraphs 78,81,85.)
30. Division 154: Maintenance for the Department of Air. - The over-estimate on this Item was caused by the Department of Air preparing its own Estimate without regard to the work capacity of the Department of Works. (Paragraph 84.)
31. Division 248A, Item 1: Repairs and Maintenance for the Northern Territory. - Because of the difficulty of attracting large-scale contractors, the Department experiences special problems in carrying out works in the Northern Territory. (Paragraphs 88-91.)

Department of Commerce and Agriculture

32. Division 86B, Item 3: Payments to States for Administration of Commerce (Trade Descriptions) Act 1905-1950. -
- (1) The Section 37 Transfer made from an amount obtained in Additional Estimates was an inadvertent departure from the general policy not to issue authority for Transfers of such funds. (Paragraph 95.)

- (ii) Where additional funds are required Your Committee recommend that Section 37 Transfers should be applied for in the first instance by the Department concerned, and should not be granted when to do so would avoid Parliamentary scrutiny, in the Supplementary Estimates, of a request that is out of the ordinary.
(Paragraphs 96,97.)

33. Division 88A, Item 2: Temporary Staff for the Division of Agricultural Economics. -

- (i) The conduct of surveys is subject to Government decision from time to time throughout the year: consequently it is not always possible to submit an accurate Estimate. (Paragraph 99.)
- (ii) Survey Staff are not brought back to their homes unduly frequently during a survey.
(Paragraphs 101,102.)

34. Division 88B, Item 4: Printing for Division of Agricultural Economics. -

- (i) Estimates for this Item have been inaccurate. (Paragraphs 103,104.)
- (ii) The Division has found it necessary to have some of its publications printed by private printers. (Paragraphs 105,106.)
- (iii) Your Committee recommend that, unless the work can be done more efficiently and economically by private printers, the facilities of the Government Printer should be extended to enable him to cope with the demands made upon him. (Paragraph 107.)

Department of Shipping and Transport

35. Division 198, Item 2: Tasmanian Shipping Service
Subsidy. -

- (i) Since 1950 the Commonwealth has borne all losses and has guaranteed a small rate of profit on the operations of "Tarcoona".

(Paragraphs 108-116.)

- (ii) The estimated cost of the subsidy for 1955-56 (£360,000) is greater than in 1954-55 (£160,000) because of the expense associated with a four-yearly Lloyd's Survey and the charter of a replacement vessel ("Moonta"). (Paragraph 109.)

- (iii) The arrangement with the Postmaster-General's Department, by which carriage of mails on "Tarcoona" is paid for at a flat annual rate of £16,000, should be reviewed, particularly as the Department of Shipping and Transport is now paying for inspection of radio installations. (See Conclusion No. 36). (Paragraphs 110, 118, 119.)

36. Division 94B, Item 8: Payment to Postmaster-General's
Department for Inspection of Maritime Radio Installations. -

- (i) The Item was included in the accounts for the first time in 1954-55 because of the progressive adoption by the Postmaster-General's Department of commercial accounts.

(Paragraphs 120, 121.)

- (ii) Your Committee recommend that interdepartmental transfers should be indexed in the Estimates Papers. (Paragraph 122.)

Department of the Navy

37. Your Committee are dissatisfied with the estimating of the Department of the Navy and recommend a general review of its financial and accounting arrangements. (Paragraph 123.)
38. Division 109B, Item 1: Permanent Naval Forces - Provisioning and Allowances. - The over-estimate of £158,000 in a Vote of £1,132,000 was caused by having on strength less personnel than estimated and by the receipt of a credit of £36,000 from the R.A.A.F. (Paragraphs 124-126.)
39. Division 111B, Items 1 and 3: R.A.N. College - Travel Subsistence and Clothing. - The over-estimates made on both these Items appear unjustifiable. (Paragraphs 127-132.)
40. Division 114, Item 6: Special Training Fees for Naval Aviation. - Considerable amounts are still outstanding because the Admiralty has not lodged claims. (Paragraphs 133,134.)
41. Division 117: Naval Construction. - Outstanding commitments of £20,180,000 at 30th June, 1955 appear to be high in relation to the capacity of shipbuilders to complete ships. (Paragraphs 135,136.)
42. Division 120: Stiffening Measures for Merchant Ships. - Over-estimates for this Vote have occurred in recent years and Your Committee again comment adversely on the inaccuracy in estimating. (Paragraphs 137-141.)

Department of the Army

43. Division 127B, Item 3: Fuel, Light etc. for the Australian Regular Army. -

- (i) The over-expenditure on this Item was caused by a general increase in prices and by the connection of at least two major Army establishments to civilian electricity supply. (Paragraphs 142, 143.)

- (ii) Your Committee recommend that Service Departments should investigate the desirability of linking Service establishments to civilian electricity supply. (Paragraph 144.)

44. Division 127B, Item 5: Rations for the Australian Regular Army. -

- (i) It might be possible to make more informative the indication of the deductions made from Division 127B in respect of issues to Division 129. (Paragraphs 147, 148.)

- (ii) If it is found preferable for issues from Army and other Service stores to be made on an average daily rate basis rather than by detailed charging, Your Committee recommend that a close watch be kept to ensure estimating is accurate and that no wastage or irregularities occur. (Paragraphs 149-151.)

45. Division 186L: Recruiting Campaign. - Your Committee recommend that either -

- (i) The Department of Defence should assume full responsibility for this Vote; or
- (ii) The Estimates of each Service Department should include an entry for recruiting. (Paragraphs 152-157.)

46. Divisions 134 and 135: Arms and Equipment. -

- (i) Expenditure on both Divisions was over-estimated. (Paragraphs 158-161.)

- (ii) The original Army estimate of expenditure under Division 135 was £8,781,000. (Paragraph 162.)
 - (iii) To the original estimate of £8,781,000 was added £9,621,000 "as a cushion for unexpected expenditure" that might occur "if an attempt were made to secure larger quantities of Army reserve equipment". (Paragraph 162.)
 - (iv) £11,095,000 was spent, resulting in an over-estimate of £7,307,000. (Paragraph 162.)
 - (v) Estimates of expenditure such as these, that do not represent adequate planning, infringe the fundamental principles upon which the Parliament approves the Estimates of Expenditure brought before it. (Paragraph 163.)
 - (vi) Your Committee intend to examine at a later date the problems that arise in connection with Votes for the Defence Services. (Paragraph 164.)
47. Division 137: Maintenance of Works and Buildings. - The Department obtained in error an Additional Estimate of £57,000, of which only £20,000 was spent. (Paragraphs 165-167.)

Department of Air

48. Division 145, Item 6: Freight and Cartage. - The over-expenditure on this Item was mainly the result of operational moves. (Paragraphs 168-170.)
49. Division 145, Item 7: Compensation for Hired Properties and Equipment. - Your Committee consider that it might be possible to achieve greater accuracy in estimating by separating the vote for

compensation for hired equipment from that for compensation to personnel for injury. (Paragraph 174.)

50. Division 147: Equipment and Stores. -

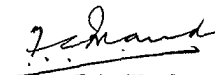
(i) The Over-estimate on this Division was £7,010,000: the Department indicated that the total estimate "was not unrealistic from the Air Force requirement point of view". (Paragraphs 176,177.)


(ii) Your Committee appreciate that difficulties occur in obtaining deliveries of supplies; but consider it should be possible to estimate more accurately than this. (Paragraphs 179-183.)


51. Division 154: Maintenance. - See Conclusion No. 30.

Your Committee reiterate that there is room for improvement in the administrative arrangements associated with the planning and execution of Defence Works. (Paragraph 185.)

On behalf of the Committee


F.A. Bland
(Chairman)


A.V. Thompson
(Vice-Chairman)


Peter H. Bailey,
Secretary,
Parliament House,
CANBERRA.....A.C.T.

18th May, 1956.

OPINION OF THE SOLICITOR-GENERAL
18th April, 1956

Audit Act 1901-1954, s. 36A: Use of
Treasurer's Advance to cover Payments
appropriated under specific Headings.

I refer to your memorandum dated 10 February, 1955, enclosing copies of the memorandum received by you from the Secretary of the Public Accounts Committee and of a part of a Treasury minute addressed to that Committee. It appears that it is the Treasury practice, where, in any quarter, payments falling due under a head of expenditure are expected to exceed the amount included in the Governor-General's Warrant, to issue further warrant authority for expenditure under that head against the Governor-General's warrant issued in respect of the Treasurer's Advance, Division 205. The question for advice is whether this practice is in accordance with law. In my opinion, the answer to this question is "Yes".

2. It will be seen that in framing the short question for advice I have limited the legal issue to the suggestion made by the Public Accounts Committee and referred to in paragraph 4 of your memorandum. In the question I have avoided any reference to the "procedure observed in the Treasury", as that procedure does not appear to be in issue except to the extent referred to in the question and as I am not fully advised as to the whole of the Treasury procedure in this regard. It will be seen also that I have, in the reasons for my answer, referred primarily to the form of the appropriation for Division 205 which was used in the Appropriation Act 1953-54 as that was the form in use when the Public Accounts Committee originally raised this matter.

3. The wording of Division 205 in the Appropriation Act 1953-54 was as follows :-

"DIVISION NO. 205 - ADVANCE TO THE TREASURER.

To enable the Treasurer to make advances and to meet expenditure, particulars of which will afterwards be included in a Parliamentary Appropriation."

4. Section 36A of the Audit Act reads as follows :-

"Expenditure in excess of specific appropriation or not specifically provided for by appropriation may be charged to such heads as the Treasurer may direct provided that the total expenditure so charged in any financial year, after deduction of amounts of repayments and transfers to heads for which specific appropriation exists, shall not exceed the amount appropriated for that year under the head 'Advance to the Treasurer'."

5. It would appear that, in considering the wording of the appropriation, one of the questions which have been considered is whether the word "advances" is qualified by the words which follow the comma. In my opinion, it is not.

It seems to me that on any view the comma is not correctly used. A comma is generally used before an adjectival clause when the antecedent noun is sufficiently identified and the purpose of the adjectival clause is to add further information regarding the already identified antecedent. A comma is not used before an adjectival clause when the purpose of the clause is to complete the description of the antecedent noun. It is clear that the "expenditure" is not identified in the appropriation except by the adjectival clause which follows it and in my view there should not be any comma after the word "expenditure".

6. In the context, I can see no reason for interpreting the reference to "advances" in the appropriation as referring only to advances for purposes for which there is not, at the time of the advance, any appropriation by Parliament.

7. The word "advances" in this connexion does not seem to bear a technical meaning. It can hardly, for example, be limited to the meanings which the same word bears in regulations 74, 75, 76 and 77 of the Treasury Regulations. In my view, its limits can only be ascertained by reference to section 36A of the Audit Act. That section presupposes that expenditure can be incurred under the head "Advance to the Treasurer" although the expenditure is in relation to "Heads for which specific appropriation exists" and that "repayments" or "transfers" can be made from those heads in reduction of the expenditure from the advance to the Treasurer.

8. Despite the fact that the word "repayments" may be regarded as inappropriate in this connexion, I think that, when the appropriation for Division 205 is read in the light of the provisions of section 36A, there can be little doubt that the advances referred to include advances from the Treasurer's Advance in respect of expenditure for which specific appropriation exists. Indeed, I think it could be argued that one effect of section 36A is to act as a section interpreting each appropriation for the Treasurer's Advance as authorizing advances of these kinds.

9. The same reasoning would apply regarding the wording used in the Appropriation Act 1954-55 and in the Appropriation Act 1955-56, which is as follows :-

"To enable the Treasurer to make advances which will be recovered within the financial year and also to meet expenditure particulars of which will afterwards be included in a Parliamentary appropriation."

Although this wording was adopted to remove any doubt, it is, I think, possible to argue that the word "recovered" limits the type of advance, that is, that the "advances" referred to are "advances pending recovery" as distinct from "advances pending Governor-General's warrant". My own view is, however, that the word "advances" has the same wide meaning in the new formula as it had in the old formula and that the new formula is adequate to cover the practice mentioned in paragraph 8.

10. However, I would not myself regard any one of the three formulae, that is to say, the old formula, the new formula or that suggested in the memorandum from the Secretary of the Public Accounts Committee, as completely satisfactory. If it is agreed that the practice mentioned in paragraph 8 should continue, it should be possible to draft a further formula which would expressly cover the three categories of "emergency payments", "pending recovery payments" and "pending Governor-General's warrant" payments.

APPENDIX NO. 2
Report, para. 65

ROYAL TOUR FILM : "THE QUEEN
IN AUSTRALIA"

Statement Submitted by the
Department of the Interior.

1. In September, 1953, the cost of making a colour film record of the Australian Royal Tour was estimated at £50,000 and this amount was provided in a Trust Account. When accounts for the film were closed at 30th June, 1955, the following was its financial status :-

Expenditure ..	£73,060.19.4
Revenue from distribution ..	36,950.17.1
Net expenditure ..	<u>£36,110. 2.3</u>

.

2. The film was an entirely new venture. It was the first feature film produced by the Film Division of the News and Information Bureau and the first Australian feature film ever to be produced in 35 millimetre colour. In arriving at the tentative cost estimate of £50,000, the Film Division had no precedent to guide it and no way of knowing what complexities awaited its production units in the field and its editing staff at the London end.

3. The production of the film posed great mechanical difficulties. As there were no facilities for developing and printing 35 m.m. colour film in Australia, every foot of the film exposed by the cameramen had to be flown to London for processing, editing, recording and final assembly by a team of technicians working under the Producer-in-Chief of the Film Division.

4. Accidents contributed to the cost of the film. One major accident was the crash of the B.O.A.C. Constellation aircraft at Singapore in March, 1954, with 800 feet of our exposed, unprocessed film on board. This had to be replaced by re-shooting some of the Queensland sequences of the film. Another such incident occurred when filming of the State Ball in the King's Hall, Canberra, was forbidden. When the State Ball footage was not available for the film, other footage had to be obtained in its place with a resultant increase in shooting costs.

5. The film had to be completed with all possible speed so that it would be available for release in public cinemas to coincide with the Queen's return to London from her tour on 15th March, 1954. The topicality of a film such as this is an essential factor in obtaining commercial release. Had completion of the film lagged far behind the Queen's return, its release prospects would have been gravely prejudiced. Unfortunately, at the time of the arrival in England of the Producer-in-Chief to complete the production, a regulation strike was staged by technicians in all English film processing laboratories. This seriously retarded the developing and processing of the Royal Tour footage, with the result that, to adhere to schedule, more overtime than had been contemplated had to be worked by the editing teams. The regulation strike developed into a complete close-down of laboratories for the last two crucial weeks of the Australian Royal Tour. When the

laboratories re-opened, round-the-clock overtime had to be worked on the developing and processing of the footage to enable schedule to be kept. Simultaneously, the editing staff had to be increased to cope with an intensification of work which could otherwise have been spread over existing members of the staff during the two weeks of the laboratories' shut-down. It was not possible to stand down members of the team during these two weeks because their Union terms of engagement demanded two weeks' notice.

6. The film was, in fact, completed before the Queen's return to London on 15th May, 1954, and was accepted for distribution throughout the United Kingdom by the J. Arthur Rank Organisation. It was hailed by the British newspaper reviewers as the best of all the Royal Tour Films and evoked more widespread and more favourable comment in the United Kingdom press than any previous Australian film. It was shown in approximately 1,000 cinemas throughout the United Kingdom, thus gaining enormous publicity and goodwill for Australia and having a most favourable effect on the recruitment of migrants. It was also distributed theatrically in the United States, Australia, New Zealand, Germany, and the British West Indies, and non-theatrically (i.e. 16 millimetre) through Australian official offices in other countries.

7. The original cost estimate did not provide for the making of foreign-language versions of the film. However, when the film was acclaimed by the British and Australian press as the most significant Australian documentary to date, urgent requests were received from Australian diplomatic missions in Europe for foreign language versions as an aid to the representational work of these missions and notably as a means of attracting migrants from Germany and Holland. Approval was therefore obtained for the making of German and Dutch language versions which have subsequently had wide screening in Germany, Austria, the German-speaking parts of Switzerland and the Netherlands. These versions cost £2,199. 4. 8 which was charged to production.

8. The ultimate production cost of £73,060.19. 4 included an amount of £5,670 for plant and equipment which remain a Commonwealth asset and will continue to serve the country for a considerable time to come. The production cost also includes an amount of £20,150 for copies of the film for distribution. These remain the property of the Commonwealth and will continue to be used to advance Australia's publicity interests until they are worn out.

9. "The Queen in Australia" was not made as a commercial proposition to earn money at the box office. It was produced primarily as an historic record of the first visit to Australia by a reigning Monarch and as a means of presenting Australia in a favourable light to overseas audiences. The film footage obtained of Her Majesty's activities in the six States and the Australian Capital Territory is historically irreplaceable and is among the most valuable archival material in the Commonwealth's possession.

10. Apart from this archival purpose of recording for posterity a momentous occasion in the nation's history, the film has gained great prestige for Australia through the world. No other documentary film has spread so wide and so favourable knowledge of Australia in other countries as "The Queen in Australia". It will continue to do so for years to come with the prints that have been distributed to Australian official offices abroad.