

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

1968—Parliamentary Paper No. 31

JOINT COMMITTEE OF PUBLIC ACCOUNTS

NINETY-SIXTH REPORT

**Expenditure from the Consolidated
Revenue Fund for the year 1966-67**

*Presented pursuant to Statute and
ordered to be printed 7 May 1968*

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CANBERRA: 1969

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SEVENTH COMMITTEE

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I. L. ROBINSON, Esquire, M.P.

The Senate and the House of Representatives appointed their Members on 22 February 1967.

¹ Appointed 23 August 1967.

² Deceased 2 August 1967.

DUTIES OF THE COMMITTEE

Section 8 of the *Public Accounts Committee Act 1951-1966* 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 Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the *Audit Act 1901-1950*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connection with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

NINETY-SIXTH REPORT

EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND

(Appropriation Act 1966-67)

CHAPTER 1—INTRODUCTION

In recent years a series of combined inquiries relating to expenditure from the Advance to the Treasurer has been conducted concurrently with a comprehensive inquiry into expenditure from the Consolidated Revenue Fund. The question of the procedure which should be adopted in regard to these inquiries was examined in the Sixtieth and Seventy-fifth Reports and Your Committee has taken the view, since 1964-65, that as some departments would be involved in both inquiries, considerable economy of time would be achieved if a single inquiry were to be held but that, as the subject matter relating to the expenditure from the Advance to the Treasurer is clearly distinguishable from that relating to other expenditure from the Consolidated Revenue Fund, two separate reports should be submitted to the Parliament.

P.P. No. 152
of 1962 and
P.P. No. 249
of 1964-65

2. Your Committee's Ninety-Third Report related to that aspect of the Inquiry in respect of expenditure from the Advance to the Treasurer in 1966-67. This Ninety-Sixth Report is based on the remainder of the evidence taken during that Inquiry and pertaining to expenditure from the Consolidated Revenue Fund generally.

P.P. No. 127
of 1967

3. As in previous years, the Department of the Treasury made available, early in July, the preliminary figures of expenditure from the Consolidated Revenue Fund. Each item appearing in the Estimates and Additional Estimates of Expenditure was scrutinised by Your Committee and a large number of written explanations was received from departments prior to the end of July. Your Committee selected Seventy-four items which appeared to require further examination.

4. The items selected were made the subject of a Public Inquiry held at Parliament House, Canberra, on:

Tuesday, 15 August 1967
Monday, 21 August 1967
Tuesday, 22 August 1967
Tuesday, 29 August 1967
Tuesday, 5 September 1967
Monday, 18 September 1967
Tuesday, 19 September 1967
Monday, 25 September 1967
Tuesday, 26 September 1967

5. The following witnesses were sworn at the Public Inquiry and were examined by Your Committee:

Department of Air

Mr N. C. D. Allen	.	.	Director, Financial Programming and Estimates
Mr A. H. De Marchi	.	.	Chief Executive Officer, Supply
Mr M. J. Madden	.	.	Assistant Secretary, Finance
Mr F. C. Sutherland, O.B.E.	.	.	First Assistant Secretary, Finance and Logistics

Australian Shipbuilding Board

Mr J. G. Clark	.	.	Superintendent of Hull Design
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Department of Civil Aviation

Mr R. A. Bickley	.	.	Director of Finance
Mr F. M. Hilgendorf	.	.	Chief Airport Maintenance Engineer
Mr B. Lewis	.	.	First Assistant Director-General, Management Services
Mr G. R. Woodward	.	.	Assistant Director-General, Finance

Department of Customs and Excise

Mr J. T. O'Connor	.	.	Director, Establishments and Finance.
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Department of Defence

Mr R. N. Beaver	.	.	Principal Programmer
Mr N. McA. Boyle	.	.	Assistant Secretary, Management Services
Mr D. S. Clues, M.B.E.	.	.	Assistant Secretary, Logistics
Mr J. J. Corrigan	.	.	Chief Executive Officer, Services Personnel
Mr E. L. T. White, M.B.E.	.	.	First Assistant Secretary, Defence Science

Department of Education and Science

Mr C. J. Lenihan	.	.	Director, Establishments and Finance
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Department of External Affairs

Mr K. G. Brennan	.	.	Senior Assistant Secretary, Management Services
Mr E. H. Hanfield	.	.	Executive Officer, Property
Mr R. E. Johns	.	.	Executive Officer, Finance
Mr J. P. Walshe, M.B.E.	.	.	Acting Director, Services

Department of Health

Mr T. C. Boag	.	.	Acting Administrative Officer, Tuberculosis Division
Mr M. Carroll	.	.	Assistant Director-General, Es- tablishments and Finance
Mr L. B. Holgate	.	.	Director, Finance Section, Estab- lishments and Finance Branch
Mr K. S. McIntosh	.	.	Assistant Director-General, Ani- mal Quarantine Branch

Department of Housing

Mr J. P. Campbell	.	.	Director, Establishments
Mr J. B. Elliott	.	.	Director, Finance

Department of Immigration

Mr T. T. McElroy	.	.	Director, Finance and Migrant Accommodation
Mr J. McC. Williamson	.	.	Assistant Secretary, Management Services

Department of the Interior

Mr M. W. Frankcom	.	.	Chief Property Officer, A.C.T. Branch
Mr L. L. Gillespie	.	.	Assistant Secretary, Management Services
Mr T. F. Hopkinson	.	.	Chief Property Officer, W.A. Branch
Mr F. W. Huxham	.	.	Chief Property Officer, Queens- land Branch
Mr G. H. Nichol	.	.	Acting Assistant Director, Management, Bureau of Meteorology
Mr A. F. Rainbird	.	.	Supervising Meteorologist, Opera- tional Services, Bureau of Meteorology
Mr K. J. Walshe	.	.	Acting Executive Officer, Bureau of Meteorology

Department of Labour and National Service

Mr D. M. Halpin	.	.	Director, Establishments and Finance Branch
Mr V. K. Peak	.	.	Chief Accountant

Department of National Development

Mr W. Murphy	.	.	Finance Officer, Management Services
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Department of the Navy

Mr C. M. Colgan . . . Assistant Secretary, Finance
Mr M. T. Hyland . . . First Assistant Secretary, Finance
and Material
Mr J. T. McEntee . . . First Assistant Secretary, Con-
troller of Supply

Postmaster-General's Department

Mr A. J. Fitzgerald . . . Acting Chief Finance Officer,
Finance Branch

Department of Primary Industry

Mr C. M. Beer . . . Senior Finance Officer
Mr D. P. Cleary . . . Director, Establishments and
Finance
Mr R. A. Sherwin . . . Assistant Secretary, Agricultural
Production Branch

Repatriation Department

Mr R. J. P. Daffy, M.B.E. . . First Assistant Commissioner,
Benefits and Legislation
Mr R. G. Kelly . . . Secretary, Repatriation Commis-
sion

River Murray Commission

Mr M. R. Stephens . . . Accountant

Department of Shipping and Transport

Mr E. S. Clarke . . . First Assistant Secretary, Ship-
building
Mr T. Norris . . . Assistant Secretary, Transport

Department of Supply

Mr L. F. Bott, D.S.C. . . . First Assistant Secretary, Finance
and Contracts

Department of Territories

Mr L. W. Temby . . . Officer-in-charge, Finance

Department of the Treasury

Mr C. J. Stephens . . . Senior Finance Officer, Decimal
Currency Board

Department of Works

Mr J. C. E. Gove . . . Assistant Executive Officer,
Works
Mr A. W. G. Miles . . . Executive Officer, Works

6. During our Inquiry we were assisted by the following Observers:

Mr A. K. Ragless . . .	Auditor-General's Office
Mr G. N. Vanthoff . . .	Public Service Board
Mr J. Attridge . . .	} Department of the Treasury
Mr G. J. Balfour . . .	
Mr M. G. Cowie . . .	
Mr H. G. Heinrich . . .	
Mr J. Hunter . . .	
Mr A. J. Pond . . .	
Mr A. B. Smith . . .	

7. The following eighteen chapters relate to those items which were the subject of further examination at the Public Inquiry.

CHAPTER 2—DEPARTMENT OF AIR

(i) DIVISION 732/1/01: ROYAL AUSTRALIAN AIR FORCE—PAY AND ALLOWANCES IN THE NATURE OF PAY—PERMANENT AIR FORCE

Appropriation Act (No. 1) \$62,045,000: Expenditure \$60,140,952

Exhibit 96/1

8. This item provides for expenditure on pay and allowances in the nature of pay (e.g. marriage, provision and separation allowances payable to married members) for members of the Permanent Air Force, including the R.A.A.F. Nursing Service and the Women's Royal Australian Air Force; payments in lieu of accrued long service leave and recreation leave in respect of personnel being discharged from the R.A.A.F.; gratuities and bounties payable to R.A.A.F. personnel under specified conditions; allowances to R.A.A.F. personnel for the performance of duties of a higher class; payments to R.A.A.F. Reserve personnel called up on full-time duty for a period in excess of six months; payments to members of the Air Force Emergency Force; payments to the parent Service in respect of personnel of other Services on loan to the R.A.A.F.

Exhibit 96/1

9. Provision was made in the Budget Estimates for an average strength of 19,560 Permanent Air Force personnel at an average rate of pay derived from strength and expenditure statistics for 1965-66. In addition, provision was made for the July 1966 basic wage adjustments (\$1,818,000) and for payments in lieu of accrued leave to discharged personnel (\$1,650,000).

10. We were informed that while the average Permanent Air Force strength varied only slightly from that forecast, the average rate of pay for the year was much less than that used in the Budget calculations. The Additional Estimates Review showed that the main factors contributing to the lower average rate of pay were a smaller than average percentage of married personnel, thus reducing the amount paid in married allowances; a larger proportion of personnel on lower rates of pay due to the unusually large number of personnel recruited in the latter part of 1965-66; an over-estimation in the original calculations of the average income earned, and the fact that the entitlement of discharged personnel to accrued leave represented \$750,000 less than anticipated in the Budget Estimates. These were compensated for to the extent of \$612,000 by increased rates of pay which became effective in February 1967.

Q.'s 10 and 19

11. With regard to the over-estimation of average income payments, it was stated that the number of variables involved in this item is so great that it is almost impossible to estimate accurate per capita payments. However, it was claimed that improved methods of estimating had been used in calculating financial requirements for the year 1967-68.

Conclusions

12. On its examination of the matters for which this item provides, Your Committee accepts that accurate estimating would be difficult to achieve. For this reason Your Committee believes that in such circumstances the Department would obtain more accurate results if it were to set its original estimate for this Item at a more conservative level and to make greater use, where necessary, of the Additional Estimates.

(ii) DIVISION 736/04: ADMINISTRATIVE EXPENSES AND GENERAL SERVICES—FUEL, LIGHT, POWER, WATER SUPPLY AND SANITATION

Appropriation Act (No. 1) \$2,334,000: Expenditure \$2,178,499

13. In addition to the utilities service mentioned in the title of this item, provision is made for office cleaning, laundry, municipal rates, security services, grass cutting services, road cleaning, rubbish removal, window cleaning, pest control and chimney sweeping services at R.A.A.F. and departmental establishments. Exhibit 96/2

14. The unexpended funds appropriated under this item consisted of the following services—security, \$57,400; electricity, \$41,000; laundry, \$11,400; grass cutting, \$37,800; maintenance of R.A.A.F. Police Dogs, \$5,300.

15. Provision was made in the Budget Estimates for an interdepartmental payment of \$57,400 to be made to the Department of the Navy in respect of the salaries of Naval Dockyard Police guards staffing the R.A.A.F./R.A.N. Explosives Depot at Kingswood, New South Wales. Subsequent to the appropriation of the estimates and pursuant to the policy of the Department of the Treasury to eliminate interdepartmental payments as far as possible, it was decided that the costs of the Naval Dockyard Police guards would be borne by the Department of the Navy. The adjustment was said to have been effected at the Additional Estimates review. We were informed in evidence, however, that the Department of Air had been notified by the Department of the Treasury about 12 May 1966, of this arrangement and that the Department of Air had notified the Department of the Navy that it would delete the estimated cost of this service from its budget estimates. It was said that, due to an oversight this action was not taken. The witness informed us that this oversight was detected by the Department of the Navy two days before our Inquiry was conducted. Exhibit 96/2
and Q. 69

16. The overestimate which occurred in the value of electricity services was due to the large annual programme of new works and buildings which made it difficult to estimate accurately the effect of this expansion of capital assets on the consumption of electrical energy. It was also said that consumption of electricity by the Department varied irregularly according to demand by R.A.A.F. technical servicing depots and with seasonal conditions. We were informed that the estimate for Exhibit 96/2
and Q.'s 73
to 75

the cost of this service was made on the basis of the trend in electricity costs. We were told that the estimated cost of laundry services each year is determined by the trend in this expenditure in previous years and that in 1966-67 an overestimate was made of an expected increase in the number of R.A.A.F. personnel to be provided with official quarters. The estimate of grass cutting services required was based on replies received to inquiries made at all the main bases concerned.

17. The witness informed us that at the time that the Additional Estimates were being formulated it was realised that an overestimate had been made in respect of this item and the Department of the Treasury had been notified accordingly.

Conclusions

18. As in the case of Item 732/1/01 Your Committee notes the wide range of matters provided for by this item and would emphasise the need for estimates relative to the several components involved to be prepared with proper care. Your Committee also notes, with some concern that, through an oversight, an amount of \$57,400 was retained incorrectly in the Original Estimates and that this fact was not discovered by the Department of Air until two days before we inquired into this matter.

(iii) DIVISION 736/10: ADMINISTRATIVE EXPENSES AND GENERAL SERVICES: TRAINING OF PERSONNEL AT OTHER THAN R.A.A.F. ESTABLISHMENTS

Appropriation Act (No. 1) \$587,000: Expenditure \$475,363

Exhibit 96/3

19. Provision is made in this item for charges made by universities, technical colleges and institutes in Australia and military-type academies in overseas countries in respect of the training of R.A.A.F. personnel in essential professional and trade skills which cannot be acquired from within the R.A.A.F. training organisation.

20. Almost half of the Budget provision for this item related to the training of R.A.A.F. personnel on courses in Britain and the United States of America and \$95,000 of the \$111,637 of unexpected funds was related to these courses. The shortfall occurred because the value of claims presented by the British Ministry of Defence (Air) in respect of R.A.A.F. personnel receiving basic flying training at R.A.F. establishments was less than was anticipated when the estimates were formulated. Three officer cadets commenced an eighteen month pilot training course with the R.A.F. in September 1966 at an estimated cost of \$41,000 per trainee plus the cost of meals and accommodation. Provision was made for the payment of one third of these charges (\$104,000) but claims paid amounted to only \$61,000. Provision was also made for one sixth of these charges for R.A.A.F. personnel attending a similar

pilot training course scheduled to commence in December 1966, but which did not commence until 27 February 1967. No payments in respect of this course were made before 30 June 1967.

21. We were informed that as the earlier part of the course includes less flying time than the later part, and as the Department had allowed for an even spread of costs over the period of the course, the claims received from the British authorities were less than had been provided for. The delay in implementation of the course which was scheduled for commencement in December 1966 had arisen from the fact that the personnel chosen for it were officers who were not required to complete the initial period of the course. As a result, claims in respect of the British financial year, which ends in March, did not include the cost of officers taking this course. It was said that at the time when the estimates were made the Department of Air was uncertain whether it would be officers or cadets who would be chosen for the British courses. Q.'s 86 to 88

22. The remainder of the shortfall in expenditure (\$15,000) in this item relates to training courses undertaken by personnel at Australian universities and technical institutes of all kinds. It was said that because of the number of trainees involved and the lack of uniformity in the presentation and payment of claims, the incidence of expenditure for this purpose is difficult to predict. Although the witness agreed that the liabilities to which the Department had committed itself for this Australian training was known, action should have been taken to obtain claims for payment for this training. We were informed that action had been commenced in 1967-68 to achieve uniformity of claim presentation by the Australian universities and technical colleges concerned. Exhibit 96/3
Q.'s 90 to 94

Conclusions

23. Your Committee considers that the Department should have exercised more care in the formulating of its Original Estimate for this item, having regard to the fact that, at that time, there was uncertainty as to the types of trainees for whom basic flying instruction was to be provided by the British Ministry of Defence (Air). Your Committee is also of the opinion that earlier action should have been taken to encourage the Australian universities and technical colleges to render claims for payment on a uniform basis.

(iv) DIVISION 738/02: FORCES OVERSEAS—BUILDINGS AND WORKS (INCLUDING REPAIRS AND MAINTENANCE)

Appropriation Act (No. 1) \$494,000: Expenditure \$290,451

24. Provision is made in this item for the cost of new works together with repairs and maintenance on existing assets at the R.A.A.F. Base Butterworth, Malaya, and at other bases in South East Asia where R.A.A.F. squadrons are operating. Exhibit 96/4

25. Provision was made in the Budget Estimates, for expenditure of \$300,000 in the financial year 1966-67 on new buildings and works to support a squadron of Mirage fighters at the R.A.A.F. Base, Butterworth. Contracts for the works were to be let by the local representatives of the British Ministry of Public Buildings and Works with subsequent financial reimbursement by the Department of Air. The British authorities in Singapore notified the Department of Air in December 1966 that estimated expenditure on these works in 1966-67 would amount to \$210,000. However, at the end of April 1967, expenditure amounted to only \$114,340, including repairs and maintenance.

Q.'s 97 to 101

26. We were informed in evidence that an estimate of this work had been made by the Department of Air's Directorate of Works and Buildings and it had been expected that an amount of \$300,000 would be required in the first year of construction. In May 1967, when no claim had been received from the British Ministry of Public Works and Buildings, the Department of Air asked its financial adviser at the R.A.A.F. base to seek a claim from the British Ministry in respect of this matter. The Ministry, however, declined to provide a claim because insufficient work on the project had been undertaken.

Conclusions

27. Your Committee is satisfied that the Department of Air took adequate action to obtain a claim for payment from the British Ministry of Public Works and Buildings. However, in reviewing the estimating and expenditure performance on this item for the years 1964-65 to 1966-67 it is clear that the Department would have achieved a more realistic result on this item if it had adopted a more cautious approach in the formulation of its Original Estimates and made greater use, if need be, of the Additional Estimates.

(v) DIVISION 742/01—EQUIPMENT AND STORES—AIRFRAME, AEROENGINE AND AIRCRAFT ANCILLARY EQUIPMENT

Appropriation Act (No. 1) \$18,411,000: Expenditure \$15,033,013

Exhibit 96/5
and Q. 103

28. This item provides for the cost of the specified classes of equipment which are required to maintain R.A.A.F. aircraft, engines and ancillary equipment in a serviceable condition.

Exhibit 96/5

29. The main components in the overestimate of expenditure under this item were in relation to maintenance spares of overseas origin in respect of Mirage, Macchi, and other R.A.A.F. aircraft; deferment of orders placed for capital equipment; failure on the part of contractors to deliver equipment and claim payment to the extent anticipated; the financing of transactions with suppliers in the United States of America on a credit basis when it appeared, at the time the estimates were prepared, that cash payments would be effected; and failure on the part of Australian and British suppliers to deliver equipment ordered prior to 1 July 1966.

30. Provision was made in the Original Estimates for expenditure of \$1,876,000 on orders to be placed during 1966-67 for maintenance spares of overseas origin in respect of Mirage, Macchi and other R.A.A.F. aircraft. Most of the expenditure was expected to occur on orders placed with French contractors for Mirage spares. The total value of overseas indents placed was not less than the amount on which the Budget Estimates were based but, due to administrative delays within the Department of Air and in the office of the Air Attaché, Paris, the value of orders actually placed with contractors by the Chief Purchasing Officer, London, before 30 June was not as great as had been anticipated. This resulted in a shortfall of \$1,060,000 from the Budget Estimates.

31. With regard to these delays we were informed that in assessing the requirements for spares for an aircraft, account must be taken of the usage of spares over the years. It was claimed that, in the case of the Mirage, the Department has not yet acquired sufficient experience to enable it to be exact in regard to what it should procure as spares. There are some 40,000 items of equipment in a Mirage aircraft and provision for maintenance spares is made three years in advance of requirements. We were told that authorisation to purchase was placed in London for the amount estimated at the beginning of the financial year. However, the procurement procedure provides that in the case of spares in the process of modification, and for which prices have not been formulated, an 'intention to proceed' order is placed and 30 per cent of the purchase price is paid by way of a deposit. It was in respect of this equipment that the witness admitted failure on the part of the Department. The facts are that up until 30 May 1967, the Department had placed orders in London to the value of \$3,786,000 for spares which attracted expenditure of \$746,000 in respect of the Mirage. The total value of the indents raised with London up to 30 June 1967 amounted to \$5,296,000. However, there is usually a delay of about one month before quotations can be obtained from contractors. Hence there was insufficient time available to raise the order after the receipt of the quotations or to raise 'intentions to proceed'.

32. A shortfall of \$460,000 occurred in the estimates for capital equipment under this item. Provision was made for expenditure of \$200,000 on new ordering planned for 1966-67, but this amount of expenditure was not achieved due to the deferment of the particular projects concerned.

33. A shortfall of \$260,000 occurred under the item in respect of commitments already in existence as at 1 July 1966, because deliveries and claims by contractors were not achieved to the extent anticipated in the Estimates. An example of delayed deliveries, given during the Inquiry, was that of oxygen equipment, the purchase of which was authorised in Australia in June 1966. Part of this equipment valued at \$28,000 was to be procured locally while another part valued at \$262,000 was to be procured in the United States of America. Because this equipment

Q. 114

is fairly easily available, it was envisaged that expenditure in respect of the Australian contract would be completed in 1966-67. However, due to technical modifications to specifications, there was no expenditure in Australia and no cash expenditure occurred in respect of the equipment to be procured in the United States of America. In regard to claims by contractors we were informed that most payments dealt with under this item are progress payments made for work in progress and each must be certified correct by the Cost Investigation Section of the Department of Supply in Australia and by various overseas procurement officers, and also by Treasury officers to the effect that the payments made are in respect of tangible evidence of completion or part completion of deliveries by contractors. In this regard the Treasury observer, Mr Balfour, confirmed that claims cannot be paid or requested unless they are due, payable and certifiable under the Audit Act. Mr Balfour said that a Treasury Circular to this effect had been issued in February 1967.

Exhibit 96/5,
Q. 122 and
Committee file
1967/5

34. A shortfall of \$280,000 occurred on transactions undertaken with suppliers in the United States of America, which when the estimates were prepared appeared to be on a cash basis but which were in fact financed under credit arrangements. It was said that when estimates are being formulated at the beginning of a financial year, the type of equipment to be purchased during that year and the source of supply of orders ultimately placed may not be known. We were informed that this particular shortfall occurred because, it was thought, when the estimates were being considered, that the equipment would be purchased in Britain. In fact, the order was placed in the United States of America and payment for it was provided for by credit arrangements agreed to between the Governments of Australia and the United States of America. Details of these arrangements were given to the Senate on 23 March 1965, by the then Minister for Defence, the late Senator S. D. Paltridge. The arrangements provide for payments in respect of military equipment purchased from the United States of America, subsequent to the financial year 1965-66 to be effected by a series of annual credit arrangements.

Exhibit 96/5
and Q.'s 124
to 126

35. The balance of the shortfall in expenditure under this item was related to numerous orders for maintenance spares and equipment, contracts for which had been placed with British and Australian firms prior to 1 July 1966, and where achievements were considerably less than was anticipated at the time the estimates were prepared. We were told that estimates of expenditure for maintenance spares and equipment are based on trends of previous years. The witness assured us that positive action had been taken by the Department to bring about completion and delivery of outstanding orders of this equipment which was needed for R.A.A.F. operations.

36. Whilst Your Committee is sympathetic to the problems confronting the Department under this item, the evidence shows clearly that considerable uncertainties existed when the original estimates were formu-

lated, as to the amount which the Department could reasonably expect to spend under the item during the financial year. In these circumstances Your Committee is of the opinion that the Department would have been wise to have sought a lesser amount for this item in the Original Estimates and to have had recourse to additional funds late in the financial year should such a course have proved necessary. In this Your Committee is re-inforced by the estimating and expenditure experience under the item in the previous financial year 1965-66. In that year an Original Appropriation of \$14,818,000 was supplemented by \$960,000 in the Additional Estimates later in the year but of this latter amount \$949,421 remained unexpended at 30 June 1966. We believe in particular that, when formulating its estimate, the Department should have been fully alert to the implication of the credit arrangements agreed to between the Governments of Australia and the United States of America, the details of which were announced publicly in the Senate some thirteen months prior to the date on which the Original Estimates for 1966-67 closed.

(vi) DIVISION 742/03: EQUIPMENT AND STORES—TRANSPORT, FIRE FIGHTING, HANDLING AND CONSTRUCTION EQUIPMENT

Appropriation Act (No. 1) \$5,846,000: Expenditure \$2,916,852

37. Provision is made in this item for the cost of the specified classes of equipment which are required to support R.A.A.F. operational commitments.

38. A shortfall of \$2.61m occurred in estimated expenditure on commitments already in existence at 1 July 1966 and the balance (\$.32m) relates to new orders placed during 1966-67. The shortfall on outstanding commitments was associated with works plant and equipment ordered for the Airfield Construction Squadron and specialist motor vehicles required for general R.A.A.F. purposes. Procurement demands for these equipments and vehicles were placed with the Department of Supply during 1965-66 and when the Budget Estimates for 1966-67 were prepared it was considered that deliveries would be substantially completed and payment made during 1966-67. In a large number of cases, contracts were not let because of administrative delays, an example of this being the time taken to reconcile large numbers of tenders received with complicated technical specifications. In other cases, contracts were arranged too late in the financial year to permit deliveries to be made and suppliers' claims to be paid before 30 June. Exhibit 96/6

39. It was stated that in one case provision was made for expenditure of \$142,000 on electrical generators but the order was placed in the United States of America, and instead of being a cash transaction, was financed under credit arrangements.

40. Provision was made for expenditure of \$170,000 in respect of self-propelled vacuum cleaners, which are used to clear airfield pavements of foreign matter which might otherwise be ingested by jet aircraft engines. These cleaners were due to be ordered in August 1966 for part delivery before June 1967. However, because of administrative delays in processing the requirement to the point of arranging contracts, it was not possible to place the order before April 1967.

41. We were informed that the estimate of \$5,846,000 had been based on outstanding orders brought forward from the previous financial year, in relation to the procurement of very large quantities of works equipment for the Airfield Construction Squadron. The orders for this equipment had been placed with the Department of Supply in 1965-66 and because of its nature the Department of Air considered that the funds would be expended in 1966-67. However, orders for this equipment were based on specifications written by the Air Force. Although some forty tenders were received for some of these orders, very few machines were available that met the specifications. Protracted argument commenced between the Department of Air, the Ordnance Branch of the Department of Supply, and the Contract Board as to the acceptance of derogations from the original specifications. These administrative delays prevented the contracts from being let and deliveries completed in time for payment to be effected in 1966-67.

Q.'s 146 to 150

Conclusions

42. On the basis of the evidence Your Committee is of the opinion that the Department should have formulated a more conservative estimate of this item and, if necessary, should have availed itself of the Additional Estimates later in the financial year had the circumstances warranted. In this regard we believe that the Department could well have been guided by its experience in the two previous financial years. In 1964-65, for example, an amount of \$3,048,000 was obtained in the Appropriation Act (No. 1) for this item of which \$898,706 remained unspent at 30 June 1965. In the following year, 1965-66 an amount of \$2,782,000 was obtained in the Appropriation Act (No. 1) and a further \$36,000 was obtained in the Appropriation Act (No. 3). At 30 June 1966, however, an amount of \$347,921 remained unexpended.

(vii) DIVISION 744: AIRCRAFT AND ASSOCIATED INITIAL EQUIPMENT— PURCHASE AND MANUFACTURE

Appropriation Act (No. 1) \$76,472,000: Expenditure \$59,637,490

Exhibit 96/7A

43. This item provides for the cost of aircraft and associated initial equipment required for R.A.A.F. operations. Expenditure brought to account under this Division includes expenditure by the Australian contractors in assembly and production operations as well as payment made to overseas contractors in respect of imported equipment.

44. The main items of under-expenditure in respect of this appropriation were F-111C Aircraft, \$8,292,000; Macchi Aircraft, \$2,141,000; Navigation Trainers and V.I.P. aircraft, \$5,260,000; and Mirage Aircraft, \$1,051,000.

45. The Budget estimates in respect of the F-111C Aircraft were based on a schedule of likely disbursements to contractors forecast by the Authorities of the United States of America. In fact, the amount claimed by these Authorities was for less than the amount estimated, resulting in the shortfall of \$8,292,000.

46. We were informed that the Department of Air was unable to check the estimates provided by the United States Authorities, which were supplied by the General Dynamics Corporation and also by the United States Air Force in respect of support equipment. A group of officers had recently been in the United States in connection with the purchase of F-111C Aircraft, but could obtain no assurance that there would be any improvement in the accuracy of later estimates. It was indicated that factors preventing the formulation of accurate estimates were those associated with a large organisation and the fact that the F-111C Aircraft had not been costed in its entirety at the time of our Inquiry. While it was claimed that progress had been made in the estimation of costs, it was said that in the case of an aircraft which is still on the drawing board, it would be difficult to estimate costs in respect of one section of production, i.e. the Australian section. In practice, the United States Authorities have given the Department of Air estimates of amounts which are likely to be paid to the primary contractor and sub-contractors in respect of the Australian contract in the production process. The Department of Air has had representatives in the United States, checking production costs since the F-111C project began and at the time of our Inquiry, the Department had a programme office located in the United States of America for the same purpose. It was said that while amended estimates are being received continually by the Department of Air from the United States Authorities in respect of likely expenditure each year, this data is of little practical value to the Department in formulating its estimated expenditure on F-111C aircraft, and in fact actual expenditure has always been less than that estimated.

Q.'s 181 to 183

Q. 193

Q. 196

47. Budget provisions in respect of Macchi Aircraft consisted of \$10,000,000 for expenditure by the Department of Supply on imported materials and for local production and assembly by Australian contractors, as well as \$1,000,000 for installed equipment, ordered by the Department of Air. Expenditure by the Department of Supply was \$2,427,000 less than the estimated amount while that by the Department of Air exceeded the estimated amount by \$286,000.

Exhibit 96/7A
and Q.'s 198
to 200

48. Estimated and actual expenditure by the Department of Supply in respect of the Macchi Aircraft is shown in Table No. 1.

TABLE No. 1: DEPARTMENT OF SUPPLY
MACCHI AIRCRAFT: ESTIMATED AND ACTUAL EXPENDITURE
(1966-67)

Item	Estimate	Actual	Result
	\$'000	\$'000	\$'000
Australia—			
All contracts	3,610	3,538	— 72
Other countries—			
Engines	1,800	1,125	— 675
Air frames	4,500	2,910	— 1,590
Miscellaneous	90	..	— 90
Total	10,000	7,573	— 2,427

Source: Department of Air.

Q.'s 199 and
200

49. We were informed that an Interdepartmental Committee for Major Product Costs examines the estimates on all aircraft projects formulated by the Department of Supply. The Committee, which includes officers of the Department of Air, comprises technical and finance officers and has the power to co-opt factory engineers and to consult the employees of contractors in relation to estimates.

Q. 198

50. The main reason for the shortfall in expenditure was that licensing agreements with overseas manufacturers had been negotiated and signed in November 1965, but the agreement with the Australian prime contractor had not been entered into until March 1966. Subsequently, and prior to Australian production, complex negotiations began in respect of quantities, prices, phasing of delivery of materials, components and tooling from overseas and local sources. As a result of these protracted negotiations, it was not until late August 1966 that the prime contractor produced formal estimates covering the phasing of expenditure on the project. For this reason, an assessment had to be made by the Departments of Air and Supply of finance likely to be required in 1966-67, and the rate at which orders would be likely to be placed in respect of costs related to tooling, materials and components, and whether or not they would be procured locally. When, in November 1966 information in respect of these matters became firmer, the estimate of expenditure was reduced by approximately \$1,000,000 and the Department of Defence was advised accordingly. In April 1967, it became obvious that the revised estimate was too high, but at that time little could be done to effect a further adjustment.

Exhibit 196/7A

51. The shortfall in expenditure in respect of Navigation Trainers and V.I.P. Aircraft amounted to \$5,260,000. Because these aircraft are of British and French origin, provision was made in the Estimates for the purchase of installed equipment to be financed by cash expenditure. However, as the equipment was purchased in the United States of America, expenditure amounting to \$3,512,000 in the financial year 1966-67 was subject to the credit arrangements which were discussed in relation to Item No. 742/01. Unforeseen delay in delivery of the

third Mystere 20 aircraft caused a shortfall in expenditure of \$818,000 and non-delivery of support equipment, payment for which was provided for in the Estimates, resulted in an additional shortfall of \$930,000.

52. Provision was made in the Budget Estimates for expenditure of \$2,750,000 in respect of interest and inspection charges due for payment in the financial year 1966-67 on French funded contracts for Mirage Aircraft supplies. However, owing to delays by the contractors in submitting invoices to the Chief Purchasing Officer, London, the amount paid was only \$1,308,000. This shortfall was offset by unforeseen accelerated expenditure by the Department of Supply. We were informed that the arrangements for the purchase of the Mirage aircraft provide that interest be charged on the difference between the respective contractors' normal terms of payment on a cash purchase basis and the amounts paid by the Commonwealth. Interest accrues from the date on which the contractor's progress payment required under his normal terms of payment falls due and is calculated retrospectively as invoices in support of deliveries are received. The amount payable at the end of each quarter is calculated at the end of each month in the quarter against the value of invoices submitted during that month to the Chief Purchasing Officer, London.

Exhibit 96/7A
and Committee
file 1967/5

53. Terms of payment on a cash basis vary between contractors and it was claimed that when consideration is given to matters such as the volume of orders, amendments to orders and price changes, the task of calculating interest at the varied intervals when deliveries are invoiced against an order is formidable. The task of forecasting the amount of interest likely to be paid in total in any one year was said to be even greater. However, it was claimed that by adopting certain assumptions based on the contractual delivery schedules, the maximum amount that could be paid can be ascertained.

54. We were informed that orders in respect of the Mirage aircraft, run into many hundreds, are placed over a period of years, and are subject to many amendments in terms of quantities, prices, and forecast and actual deliveries. In these circumstances the assessment of interest entitlement can involve complex calculations and adjustments in respect of deliveries against a particular order and can delay the submission of invoices. In the past, this feature has led to the procedure of making provisional payments for interest in an endeavour to meet contractors' entitlements in part and for final retrospective adjustments to interest to be made when invoices against past deliveries are received.

55. It was stated that because the manufacturing company is receiving provisional interest payments assessed on a fixed amount each year, it is not particularly concerned about submitting invoices promptly. When the Chief Purchasing Officer, London, had been asked as early as April 1966 for information regarding interest payments he had replied that the company which manufactures the Mirage engines had been releasing invoices at a rate less than that originally envisaged.

Q's 201 to 213

Furthermore, as the provisional payment made in 1965-66 had been overestimated, some interest charges made in 1966-67 were reduced in respect of invoices received in the previous year. We were informed that action taken to increase the rate at which invoices are submitted has included advice to the Chief Purchasing Officer, London, to refuse payments of provisional interest until invoices have been received.

Q. 231

56. It was said in evidence that apart from modifications, the procurement of most aircraft is related to specific terms of payment and specific contracts made by the Commonwealth Government. If these conditions are not met, payments are not made and a shortfall in expenditure occurs. An example of this was the shortfall in 1966-67 in respect of the Mystere aircraft.

Q.'s 218 to 226

57. The witness claimed that the Department had been justified in appropriating an amount of \$76,473,000 in 1966-67 and mentioned that the Department had not been able to submit relevant information to the Committee in respect of some aspects of its overseas purchasing arrangements such as the 'pay and recover' facility and credit arrangements entered into with the United States authorities. We were also informed that the total Defence vote includes amounts appropriated by the Department of the Treasury in respect of loan repayments made to the United States of America.

Conclusions

58. As in the case of Item 742/01, Your Committee recognises the problems confronting the Department in the administration of this item but it believes, on the basis of the evidence received, that, mindful of these problems, the Department would be wise to approach the formulation of its Original Estimates for this item with a sound degree of conservatism and to avail itself of additional funds later in the financial year should such a course prove necessary. We consider that the estimating and expenditure pattern for this item over the past three years lends weight to this view. In 1964-65, \$40,354,000 was obtained in the Original Appropriation; \$7,060,000 in the Additional Estimates and \$720,000 from the Advance to the Treasurer. In that year the whole of the funds made available, with the exception of \$44,174 were expended. By comparison, \$65,140,000 was obtained for the item in the Original Appropriation in 1965-66 and of this amount, \$2,787,266 remained unexpended as at 30 June 1966.

59. Your Committee notes that in regard to orders placed for Mirage aircraft provisional payment of interest has been made, subject to retrospective adjustment when invoices against past deliveries are received. In view of the delays arising in the submission of invoices by the manufacturing company we would commend the Department for its action in suspending the provisional payments of interest until invoices have been received.

(viii) DIVISION 749/1/05: OTHER ADMINISTRATIONS—RECOVERABLE
EXPENDITURE—EXPENDITURE—OTHER COUNTRIES

Appropriation Act (No. 1) \$35,000: Expenditure \$2,528

60. This item provides for the cost of supplies and services issued on a reimbursable basis by the R.A.A.F. to representatives of countries other than Britain, the United States of America, New Zealand and France.

61. Provision was made in this item for the recording of costs incurred in respect of R.A.A.F. Personnel serving on loan with the Royal Malaysian Air Force pending recovery from the Malaysian Government. However, the financial accounting arrangements in respect of such personnel were, at the time of our Inquiry, still being negotiated between the Australian and Malaysian Governments and therefore no action could be taken before the end of the financial year to recover this expenditure. The witness informed us that the amount of \$35,000 had been sought in the Appropriation Act in the expectation that the financial arrangements would have been settled during the financial year concerned.

Exhibit 96/8
and Q.'s 238
to 244

Conclusions

62. Your Committee regards in a serious light the inclusion of amounts in the Estimates for proposals which are so far from firm that it is not possible to know what payments, if any, will be made.

CHAPTER 3—DEPARTMENT OF CIVIL AVIATION

(i) DIVISION 140/1/01—CIVIL AVIATION FACILITIES—MAINTENANCE AND OPERATION—AERODROMES

Appropriation Act (No. 1) \$8,461,000: Expenditure \$7,976,235

63. This item provides for the maintenance of movement areas, runways, taxiways, roads, buildings, marine bases, fixed fire fighting installations, fire and crash alarms, the operation of fire fighting services and marine facilities, and for cleaning, nightwatching, car parking, airport patrol and caretaking services.

64. The variation between funds available and final expenditure in 1966-67 was attributed to the following factors—

- The difficulty of providing accurate cost estimates for major proposals for the resurfacing of runways, taxiways and other sealed surfaces on aerodromes;
- The reduction of output on aerodrome and building maintenance works due to excessive wet weather in Queensland; and
- A scarcity of contractors due to the demands of outside industry on the available workforce, particularly in Western Australia.

65. All major aerodrome pavement resurfacing works are undertaken by the Department of Works on behalf of the Department of Civil Aviation. At Sydney (Kingsford-Smith) Airport, two projects were authorised at estimated costs of \$180,000 and \$220,000 respectively. These amounts provided for proof rolling, repair and resheeting of taxiways 'C' and 'L' which run parallel to the east-west and north-south runways, and are the main taxiways for these runways at Sydney Airport. Proof rolling is undertaken with a heavy compaction roller and is designed to reveal weaknesses under the existing surface. Any weakness shown as the result of the rolling is corrected and the bituminous concrete resheeting is then completed. The estimates of costs prepared by the Department of Works allowed for a much greater amount of failure under the proof rolling and consequent reconstruction than actually occurred. Because less construction was needed the amount provided in 1966-67 was underspent by \$100,000. It was stated, however, that the estimates were based on the best available information and there were no means of more accurately determining the amount of failure likely to occur without proof rolling.

Q.'s 274 to 281

66. We were informed that a project such as that undertaken at Kingsford-Smith Airport is almost unique in the Department of Civil Aviation, and that while the Department of Works was asked to carry out its normal estimating procedures for this project, it was thought that there was no other way of estimating costs than by the method of proof rolling, the estimates for which would have been made on an assessment of the length, width, and strength of the taxiway and the

probable yardage involved, should a complete resheeting or less have been involved. This procedure meant that there was very little experience of work of a similar nature upon which the Department of Works could base its estimates. The Department of Works estimates, in this instance, were accepted within a small tolerance of error because it was considered that the Department of Works was in a better position to assess them than was the Department of Civil Aviation. At the time the estimates were accepted, no proof rolling would have been undertaken.

67. As to the technical reason for the belief that a greater degree of failure in proof rolling would occur than was in fact required, we were advised that pavements at the Kingsford Smith Airport were put down originally in the 1950's in accordance with the best technical standards of that time. We were informed that the science of pavement construction for very heavy aircraft requires a capacity to accommodate Boeing 707 aircraft, this being a greater capacity than the pavement was able to accommodate. Extensive compacting and compression of the pavements had occurred under the existing traffic and it was essential that they be brought to an acceptable standard of maintenance. Q. 279

68. The pavement material, which had been constructed from fine crushed rock which has some characteristics not of the highest standard, had deteriorated due to the weight of the aircraft and also because of a normal ageing process. The areas of pavement that had failed had already been replaced and the purpose of the proof rolling was to find those areas which had not failed but which were likely to do so. The areas of possible failure had to be repaired and replaced before being covered by an inch and a half layer of bituminous concrete sheeting.

69. In respect of the reduction of output on aerodrome and building maintenance works due to excessive wet weather in Queensland and coastal areas in 1966-67, it was stated that the wet season was much longer in duration and more intense than normal. This had the effect of delaying the commencement of many building maintenance works and of interrupting works in progress. The abnormal weather also required the diversion of engineering effort from the planned programme of works to emergency projects in order to maintain the serviceability of facilities. These factors resulted in a shortfall of \$166,000 in the estimated expenditure on building and pavement maintenance projects. Exhibit 96/9

70. A shortfall of \$238,000 occurred in the expenditure originally programmed for works in Western Australia. A major factor contributing to this under-expenditure was the excess of work offering to contractors, particularly north of Geraldton. We were informed that the very considerable expansion of mining and associated activity in Western Australia places contract work at a premium and, despite several re-arrangements of the Department's programme of work during the year, the performance target could not be achieved. The objective of these programme re-arrangements was to re-allocate funds within Western Australia to projects having a better prospect of early progress being

achieved and to transfer some funds to other States where useful work could be undertaken. It was said that some benefit was achieved by the transfer of maintenance funds to Victoria and South Australia but the re-arrangement of work within Western Australia did not achieve the expected result because of early rains which reduced temperatures in the south of the State. This seriously delayed the progress of pavement re-sealing works as temperature is a critical factor in the application of bitumen to produce an effective seal.

Q.'s 282 to 288 71. We were informed that it had been apparent for some time that there was an excess of work offering to contractors in Western Australia, particularly north of Geraldton and that for this reason, early in the financial year 1966-67, it was not considered to be practicable to call tenders for that year. The number of aerodromes involved in this shortfall in expenditure said to be three or four of the twenty-five located north of Geraldton.

72. It was said that a considerable amount of work is involved in estimating expenditure provided for by this item which covers Government aerodromes throughout Australia, New Guinea and Cocos Island and also includes maintenance work on Government-owned buildings located at the aerodromes. Some 200 major and several thousand minor projects are involved in this item, each being subject to a number of variable factors.

Conclusions

73. Your Committee is satisfied that the assessment made by the Department of Works and accepted by the Department of Civil Aviation relative to proof rolling at the Sydney (Kingford-Smith) Airport was reasonable and that the problems experienced in Queensland were beyond the control of the Departments concerned. In the case of the shortfall of \$238,000 which occurred in respect of works north of Geraldton in Western Australia, however it is clear that when the Department formulated its estimate for 1966-67 it had been aware that an excess of work was offering to contractors in the area. In these circumstances Your Committee is of the opinion that, in respect of these proposed works the Department should have withheld its request for funds until a later stage in the financial year.

(ii) DIVISION 144/03—DEVELOPMENT OF CIVIL AVIATION—NORTH ATLANTIC AIR NAVIGATION FACILITIES—CONTRIBUTION

Appropriation Act (No. 1) \$50,000: Expenditure \$38,692

Exhibit 96/10

74. This item provides for payment of the Australian Government's contribution to joint finance schemes for the maintenance of air navigation facilities in the North Atlantic area.

75. Australia has been a member state of the International Civil Aviation Organisation (I.C.A.O.), a specialised agency of the United Nations, since its inception in April 1947.

76. Each member state is required to contribute funds to meet the Organisation's Budget requirements. The Budget is considered at Assembly Meetings, held at three-yearly intervals, at which the annual amount of assessment for each State is also determined. The assessment of each member State's contribution is based on its interest and importance in civil aviation and on its ability to pay. In addition to this basic contribution which is charged to Division 144/02, the Australian Government makes annual contributions under three agreements co-ordinated by the I.C.A.O. and commonly known as the Joint Support Schemes. These agreements are the North Atlantic Ocean Stations Agreement, the 1965 Danish Joint Financing Agreement and the 1956 Icelandic Joint Financing Agreement.

77. The purpose of the agreements is to provide, through international joint support, air navigation facilities and services in the North Atlantic for nations whose aircraft fly across the area. The responsibilities of participating States, both in cash and kind, are determined according to a formula which is based on the aeronautical benefits derived by each State from the network, as expressed in the number of complete crossings of the North Atlantic made by that State's aircraft, and weighted by a factor which takes the non-aeronautical benefits into account. These benefits include the issue of meteorological observations to provide better forecasting for non-aeronautical interests such as shipping, agriculture, land transportation, industry and the general public of the countries bordering the North Atlantic.

78. The assessments are made by I.C.A.O.'s Committee on Joint Support of Air Navigation Services. Advance payments are made each calendar year, plus or minus any difference between the amounts paid by the contracting State as previous advances, and that State's adjusted share as determined by its aircraft crossings and the approved actual costs of the services for the year being adjusted.

79. Early each year, the I.C.A.O., whose headquarters are at Montreal, provides the Department of Civil Aviation with an estimate of the anticipated costs under the three agreements for the ensuing financial year. The firm assessment for that particular financial year is not, however, advised by the I.C.A.O. until the Department's Estimates have been finalised. When the firm amount due for payment is known, it can vary considerably from the previously advised estimated amount, as apparently happened in 1965-66 and 1966-67, because the first estimate has been subjected to the application of the formula described above. Estimates of contributions to be made by member States may be varied should additional nations become members of the joint support scheme. The contributions of new members are paid in advance and these payments have the effect of reducing the assessments already made on other contracting States. Advice of the Australian contribution was received from the I.C.A.O. in late October 1966.

80. We were informed that the Australian Government has been making annual contributions to the joint finance schemes since 1958-59.

Q's 294 and
295

The Department had requested a firm estimate of its liability from the I.C.A.O. in time for a reliable figure in respect of this item to be included in the Original Estimates. We were informed, however, that it would be virtually impossible for the I.C.A.O. to provide a firm figure as its estimates are made in advance and are based on a complicated formula. It was said that because of the nature of the formula used by the I.C.A.O., the liability of member states for any given year could not be calculated before the completion of that year. The witness agreed, however, that use of the Additional Estimates could have been made in respect of this item.

Conclusions

81. Your Committee accepts that the Department is unable to obtain from I.C.A.O. a firm figure relative to the Australian Contribution under this Item for inclusion in the Original Estimates. This being the case, Your Committee believes, on the basis of the evidence tendered and the estimating and expenditure experience on this Item in 1965-66 and 1966-67, that the Department would be well advised to set its Original Estimate on a somewhat more conservative basis and if necessary to make a greater use of the Additional Estimates at a later stage of the financial year when it has received from I.C.A.O. advice of any adjustments that may need to be made to the Australian contribution.

CHAPTER 4—DEPARTMENT OF CUSTOMS AND EXCISE

(i) DIVISION 155/2/04—ADMINISTRATIVE—ADMINISTRATIVE EXPENSES—OFFICE SERVICES

Appropriation Act (No. 1) \$239,000, Appropriation Act (No. 3)
\$18,000: Expenditure \$243,861

82. This item provides for such services as minor maintenance, cleaning, electricity, gas, municipal rates, and rent of three houses occupied by officers of the Department in Tokyo and also for minor maintenance and other expenses for each of the main state offices, fifty-six departmental residences, thirty-five departmental outposts, and more than one hundred outstations. Exhibit 96/11

83. Although \$239,000 had been provided for this item in the Budget a further amount of \$18,300 had been provided in Appropriation Act (No. 3). Of this latter amount, \$13,439 remained unexpended at 30 June 1967. In regard to this result we were informed that in respect of expenditure other than minor maintenance, costs are known. The provision for minor maintenance, however, is based on the assumption that expenditure will maintain a constant level from year to year. When the Department approached the Department of the Treasury for a further \$18,300 for inclusion in the Additional Estimates it had over-spent about \$3,000 compared with pro-rata expenditure on the Item and it was aware that accounts were being received which would require payment by 30 June. The witness claimed that the Department had a fairly firm basis for expecting that it would require the additional \$18,300. Exhibit 96/11
and Q. 308

84. A shortfall of \$750 occurred in respect of contract cleaning for the Sydney Office. We were informed that a contractor requested the termination of his contract in January 1967, but on the advice of the Department of the Interior he was asked by the Department of Customs and Excise to continue the contract and to submit revised prices for consideration. As at 30 June 1967, the revised prices had not been submitted to the Department. We were informed that until the contractor seeks new rates and enters into a new contract, he will continue to be paid at the old rates. Exhibit 96/11
and Q. 324

85. Due to a change from monthly to quarterly meter readings, under-expenditure of \$400 in respect of electricity charges occurred at the Flotta Lauro Building, Sydney.

86. Flooding of the new Customs House building in Melbourne led to an unexpected delay in occupancy of the building and funds to the value of \$2,653 provided for power, hot water and cleaning were consequently not expended.

Exhibit 96/11
and Q. 325

87. There was a shortfall of \$613 in expenditure by the Queensland Office. \$384 of this amount arose from the non-submission of accounts by a contract cleaner and an amount of \$229 was held to meet payments in respect of urgent minor building maintenance but was not required. We were informed that, towards the end of the financial year, action had been taken by officers of the Department in all states to secure claims in respect of outstanding accounts for 1966-67. However, all of these claims were not received.

Exhibit 96/11
and Q. 327

88. A shortfall of \$400 occurred in respect of electricity charges for newly acquired premises in the Malin Russell Building, Port Adelaide. Although approval for the lease of these premises had been given in December 1966, delays in effecting the necessary repairs and alterations to the building resulted in the date of occupancy of the premises being deferred from March until 27 May. We were informed that the sub-contracts for these alteration were let by the Department of Works and that the contractor had been slow in completing the work. Because of inadequacy in the power supply to which the Port Adelaide Customs House is connected, it was found necessary to restrict the use of electrical appliances in this office to about one half of the normal usage. This resulted in a shortfall of \$724 in respect of electricity charges. We were informed that usage of electrical appliances will return to normal following the completion of a transformer supply station which, at the time of our Inquiry, was being installed. A further shortfall of \$400 occurred in South Australia in respect of minor building maintenance. The witness stated that trends over the past few years indicate that expenditure on minor building maintenance each four months in South Australia amounts to about \$500. In the June quarter, however, expenditure amounted to only \$99. This was claimed to be a difficult item to estimate because it provides for expenditure in respect of repairs costing less than \$50 including broken windows.

Exhibit 96/11
and Q. 328

Exhibit 96/11

89. A further shortfall of \$910 occurred in the Western Australian Branch of the Department. This included \$350 in respect of an electricity account for the Customs House, Fremantle; \$360 in respect of deferment of completion of the new Customs House at Port Hedland, due to cyclonic weather and industrial difficulties; and an amount of \$200 due to a broken contract. The contract which was let early in 1967 was for cleaning windows at the Fremantle Customs House and wharf stations and was broken by the contractor. A fresh contract was completed in June 1967. With regard to the Fremantle electricity account, we were informed that a request for a claim had been made to the Western Australian Electricity Commission, but that it was not received before the end of the financial year.

Q. 329

Exhibit 96/11
and Q. 330

90. The shortfall in the Tasmania Branch amounted to \$1,899, mainly in respect of electricity, gas and fuel. It was said that more than \$1,600 of this amount represented less than normal usage of power due to abnormal seasonal conditions and \$145 represented electricity accounts which were received too late for payment in the financial year 1966-67.

Other expenditure in Tasmania was said to be due to the difficulty experienced in obtaining the services of people to carry out minor works because of the increased demand for this type of work following the bushfires in 1967 and also because a wharf station at Beauty Point had been blown down and no further expenses occurred in respect of this station.

91. Three reasons were given for the shortfall of \$1,637 in the Department's Tokyo office. First, the rental charge for one house was \$562 less than the amount estimated. Secondly, accounts were received for only eleven months in respect of rent payable for another house; and thirdly, in respect of both of these houses and another house, expenditure on oil, gas and electricity was approximately \$500 less than the amount estimated.

92. The remainder of the shortfall in respect of this item comprised small amounts by the State offices and the numerous departmental outposts and outstations under the control of the Department. Q. 309

Conclusions

93. Your Committee finds that in some respects the circumstances of the shortfall under this item were beyond the control of the Department. In other respects, however, it appears that an insufficiently vigorous effort may have been made to obtain accounts for payment during the closing months of the financial year. This circumstance occurred in the Queensland, Western Australian and Tasmanian branches of the Department and appears to have occurred also in the Department's office in Tokyo.

(ii) DIVISION 908/01: CAPITAL WORKS AND SERVICES—PURCHASE OF LAUNCHES

Appropriation Act (No. 1) \$73,000: Expenditure \$20,000

94. The purpose of this item is to provide for the acquisition of launches. In 1966-67, provision was made for the purchase of four launches for use in Sydney, Melbourne, Darwin and Gladstone. Exhibit 96/12 and

95. These are the first fibreglass launches to be used by the Department and are also the first to be purchased through the Australian Shipbuilding Board. We were informed that preparation of specifications was not commenced until after the completion of comprehensive testing of similar launches by the Royal Australian Navy whose report was received on 17 June 1966.

96. The estimated cost of the launches, which proved to be correct, was based on the cost of the launches tested by the Navy. The witness claimed that at the time the estimates were formulated, it was expected by both the Department of Customs and Excise and the Shipbuilding Board that the launches would have been delivered before the close of the 1966-67 financial year. It was argued that inclusion of the total cost Exhibit 96/12 and Q. 334

of the launches in the Original Estimates was justified because informal advice received from the manufacturer, at the time that the estimates were formulated, suggested that the first launch would be available eight weeks after placement of the order and the second five weeks after delivery of the first launch. It had been expected that the preparation of specifications would have allowed for acquisition of the launches within the financial year.

97. We were informed that the type of launch required was known, that a decision had been made on what was required of the launch and that it was felt that the report from the Navy was needed before detailed specifications were prepared so that account could be taken of possible additions to the specifications which may have been needed to bring a stock type launch up to the required standards. It was said that the reason for the shortfall was that the acquisition of the launches had not been in accordance with the expected timetable.

Exhibit 196/12

98. It was claimed that a contributing factor in the failure to complete the purchase of the launches before 30 June 1967, was the fact that a new type of material incorporated in the launches was outside the previous experience of either the Department or the Shipbuilding Board. Because of the multiple orders and the possibility of further purchases by the Department of Customs and Excise and possibly other departments, it was also claimed that caution and careful research was absolutely vital in the acquisition of the launches.

Q. 350 to 353

99. The witness representing the Australian Shipbuilding Board advised us that at the time the Department of Customs and Excise asked his Board to examine the launch and prepare the Department's specifications, the Board had a very large commitments programme for Australian shipbuilding and that it was obliged to give priority to that programme in order to maintain employment in the shipyards. He said that launches are distinct from shipbuilding and that to introduce the examination of the launch into the shipbuilding programme could have caused a disruption. Because of this, the specifications for the building of the launches were introduced into the Board's programme whenever time allowed it. Because it was not possible for those people concerned with the specifications to give their time simultaneously to the Department's launch, the Board gave little priority to it and consequently the time involved was drawn out. He indicated that it would have been possible to draft the Department's specifications, that this ought to have been done and that it was not done because it had taken more time than it ought to have taken.

Q. 356

100. The Department of the Treasury observer, Mr Cowie, indicated that in his understanding of the matter the Shipbuilding Board, an expert Commonwealth instrumentality, had been employed as a technical adviser by the Department of Customs and Excise, and that Treasury Regulation 52 provided for this service to be requested and given. The departmental witness added that the Department had, on a

previous occasion, given an assurance to the Public Accounts Committee that it would order its launches through the Australian Shipbuilding Board.

101. It was stated that officers of the Department had had discussions with officers of the Australian Shipbuilding Board on several occasions and had also written to the Board regarding the difficulties within the Board in respect of the preparation of specifications. The witness for the Department could not agree that the Department had not had adequate discussions with the Board prior to formulating its estimate for the launches. He said that there had been adequate discussions with the Board and that at that time it had not been anticipated by the Board that the preparation of specifications would have taken as long as it did. Q.'s 362 and 364

Conclusions

102. Your Committee notes with some concern that while an amount of \$73,000 was sought for inclusion in the Budget for the acquisition of these launches, the report by the Navy on similar launches was not received until 17 June 1966, some two months subsequent to the closing date for the Estimates, and the Department did not commence its preliminary discussions with the Australian Shipbuilding Board in relation to this project until 1 July 1966. In these circumstances it seems clear that at the time when the amount of \$73,000 was sought the Department could not have reasonably known how much, if any, of these funds would be expended during 1966-67. Whilst Your Committee accepts that caution and careful research were absolutely vital, particularly as new and unfamiliar materials were involved, the circumstances point clearly to the need for the Department to exercise equal caution in the acquisition of funds.

CHAPTER 5—DEPARTMENT OF DEFENCE

(i) DIVISION 640/2/02: ADMINISTRATIVE—ADMINISTRATIVE EXPENSES—OFFICE REQUISITES AND EQUIPMENT—STATIONERY AND PRINTING

Appropriation Act (No. 1) \$480,900: Expenditure \$289,962

Exhibit 96/13

103. This item provides for the cost of office requisites and equipment, stationery and printing.

104. The shortfall in expenditure occurred mainly in the Defence Cataloguing Authority, which provides a centralised cataloguing facility for Departments within the Defence Group.

105. When the estimates were prepared, it was estimated that \$202,000 would be required for overseas cataloguing data. The Services, especially the R.A.A.F., had large equipment orders being fulfilled in the United States of America, the United Kingdom and Europe and the relevant cataloguing data for these projects was expected to be received during the financial year. However, it was claimed that due to circumstances beyond the Australian Government's control, this data was not received and, at the time of our Inquiry, was commencing to arrive. Actual expenditure on overseas cataloguing data was \$25,783.

106. Since 1958, when a defence cataloguing authority was established within the defence group of departments, a new system of cataloguing, which is being co-ordinated by the Department of Defence, has been operative. The system is modelled on what is known as the N.A.T.O. codification system which originated in the United States of America and is used by all N.A.T.O. countries. This system, which provides for the identification of each item of supply facilitates the efficient management of inventories.

Q. 370

107. We were informed that 1966-67 was the first financial year in which the Department of Defence undertook to finance the acquisition of cataloguing data. It was said that the estimates provided by the service departments to the Department of Defence in respect of cataloguing data were based on the most reliable information available, including the rate of charges which had already been determined.

Q. 373

108. In the case of all large defence purchases from the United States of America a procurement team visits that country to decide on which items need to be purchased from overseas and which are obtainable from Australian production. When this decision has been made, and because of commonality between the components of various aircraft, the cataloguing authority examines its records to find if any of those items to be purchased are catalogued. When this has been determined an order is placed in the United States of America and subsequently quarterly claims are made by the United States Defence Logistics

Services Centre. It was claimed that the Australian authorities have no control over the amount of work which that centre is able to undertake for it.

109. It was said that dates on which the orders for cataloguing data were placed were not available but that the Department had entered into firm commitments through a process of formal requests prior to 29 April 1966, the date on which the estimates for 1966-67 closed. Q.'s 374 to 376

110. We were informed that the Australian Embassy in Washington had been given authority to pay claims and that while action had been taken early in May and later to obtain claims this had not been entirely successful. Q. 371

111. Because there was a shortfall in expenditure of \$62,529,000 in the defence estimates in 1966-67, it was said that there was a lag in the supply of equipment in that year and subsequently cataloguing data was not received as had been anticipated. Q. 370

112. It was said that provision of \$162,000 had been made in the estimates for cataloguing data from Britain and France. However, the re-organisation of cataloguing processes took longer in Britain than had been anticipated and cataloguing data was not received from France. Q. 373

113. In addition to cataloguing data, an order valued at \$5,900 was placed with an Australian company in May 1967 for the supply of blank magnetic tapes. At the time when the order was being negotiated the Department understood that the tapes were available as shelf stock and the Company concerned had promised delivery in June. The company subsequently found that it had to import the tapes and as a result delivery could not be made in June. Exhibit 96/13 and Q. 377

Conclusions

114. Your Committee recognises that the rate of supply of cataloguing data from overseas sources is beyond the control of the Department. At the same time the evidence indicates that the uncertainty surrounding the supply of that data was such that the Department was not justified in seeking \$202,000 for this purpose in the Original Estimates. In the case of the magnetic tape, it appears to Your Committee that the circumstances of delivery were beyond the control of the Department.

(ii) DIVISION 640/2/05: ADMINISTRATIVE EXPENSES—HIRE AND MAINTENANCE OF PLANT AND EQUIPMENT

Appropriation Act (No. 1) \$371,100: Expenditure \$250,248

115. This item provides for the cost of hire and maintenance of plant and equipment. Exhibit 96/14

116. The shortfall in expenditure occurred mainly in the Defence Cataloguing Authority (\$82,472) and the E.D.P. Proving and Training Centre (\$31,990). The estimate for the Defence Cataloguing Authority was based on planned deliveries of overseas cataloguing data which on receipt is processed by a private computing bureau. There was, however,

Exhibit 96/14
and Q. 381

a significant reduction in the delivery of data which was referred to in connection with Item No. 640/2/02, and because of this, a decline occurred in the demand for processing. The shortfall in expenditure incurred by the E.D.P. Proving and Training Centre was said to be due to three factors. First, following re-negotiation of the maintenance contract, the Department received a credit of previous fixed sums amounting to \$13,753. It was said in evidence that during the period November 1965 to June 1966, two computers were in operation in the Defence computer system, a Honeywell H1800 computer and an H800 computer. The maintenance contract at that time provided for payments which were fixed according to an hourly rate of computer usage although the contract was being re-negotiated to provide that maintenance charges be determined in accordance with usage of individual pieces of equipment within the system. The rates for the new system of charging which were agreed to in September 1966 were made retrospective to 1 November 1965, and so gave rise to the credit payment.

Exhibit 96/14
and Q. 382

117. Secondly, following a discussion with the Department of Customs and Excise, provision was made for the payment of \$10,000 customs duty on imported spare parts. The duty, however, did not become chargeable. In this regard we were informed that at the time the 1966-67 Estimates were being formulated, a discussion took place regarding the provision of duty-free entry of spare parts for use on Commonwealth-owned computers. Two alternative methods appeared to be open. One was the creation of a bond store in the Defence A.D.P. Building, and the second was for Honeywell Pty Ltd to pay the customs duty and be reimbursed by the Commonwealth Department of Defence. Because of the cost involved in the establishment and maintenance of a bond store and the availability of accommodation, the latter alternative was chosen. The estimate of \$10,000 was determined by the application of 7½ percent duty to expected imports valued at \$130,000. In November 1966, during further discussions with the Department of Customs and Excise, it was discovered that Honeywell Pty Ltd could have obtained exemption from customs duty.

Exhibit 96/14
and Q. 394

118. Thirdly, provision of \$8,000 was made for maintenance of an H800 computer for part of the year. However, in October 1966 a decision was taken that the Department of the Navy would accept liability for the operation of the computer as from 1 July 1966. At the time when this decision was taken the computer concerned was located in the Defence computer room as delays had occurred in the completion of the Navy building. It had been expected that the computer concerned would be moved into Navy's own building at the end of August 1966 but in fact the transfer did not take place until the following December. In the meantime both Defence and Navy staff operated on the computer.

Conclusions

119. In the case of the Defence Cataloguing Authority, Your Committee has expressed its views in relation to Item 640/2/02. The circumstances in relation to the supply of cataloguing data were such that the

Department was not justified in seeking \$82,474 in that connection in the Original Estimates under Item 640/2/05.

120. Your Committee believes that the inclusion of \$10,000 in the Original Estimates to provide for the payment of Customs Duty on imported A.D.P. spares should not have occurred and that in the initial discussion between the Department of Defence and the Department of Customs and Excise it should have been recognised that Honeywell Pty Ltd could obtain exemption from customs duty in the circumstances.

121. The evidence relating to the transfer of the H800 computer from the Defence to the Navy building requires particular comment. It appears, on the evidence that when the estimate was formulated for 1966-67 it was expected that this transfer would occur in August 1966. Accordingly, a provision of \$8,000 was made to cover maintenance of the unit by the Department of Defence for that part of the year in which it was expected that the Defence Building would house the computer, i.e. from 1 July to about 31 August 1966. Your Committee understands the delay in transferring the unit from the Defence to the Navy building consequent upon a delay in the completion of the Navy building but it finds this delay to be irrelevant to the administrative decision that was taken in October 1966 whereby the Department of the Navy assumed liability for maintenance of the computer with effect from 1 July 1966, i.e. for a period of approximately two months prior to the date on which it had earlier been expected that the unit would be physically transferred. In Your Committee's view the Department of the Navy should have assumed this liability with effect from a date late in August as planned when the estimate was formulated. In this Your Committee assumes that the estimates of the Department of the Navy were formulated on the assumption that it would assume the maintenance liability at that time and we would point out that a retrospective adjustment of this type could adversely disturb the estimates of that Department as well as the estimates of the Department of Defence.

(iii) DIVISION 645/2/03: RECRUITING CAMPAIGN—ADMINISTRATIVE
EXPENSES—MEDICAL FEES

Appropriation Act (No. 1) \$84,000, Appropriation Act (No. 3)
\$3,800: Expenditure \$82,013

122. This item provides for payment of fees to medical practitioners for examination of volunteers for enlistment in the Permanent and Citizen Forces. Exhibit 96/16
and Q. 417

123. When the Original Estimate was formulated for this item allowance was made for an increase in the scale of medical fees approved in March 1966 and the somewhat higher targets set by the Services for permanent forces recruits in 1966-67 compared with those of the previous year. Exhibit 96/16

Q. 398

124. With regard to the estimating procedure in respect of this item, we were informed that initially, the Services estimate the desired number of recruits during a given financial year. An adjustment is then made to provide for those who apply for enlistment and are rejected or for those who would not be examined medically, e.g., those who are found to be deficient on educational or other grounds. It was claimed that because of seasonal variations in recruitment, it is very difficult to make an accurate estimate of the numbers who will be medically examined.

Exhibit 96/16
and Q.'s 399
and 402

125. We were informed that for some time the Department of Defence had endeavoured to achieve this change. The Army, however, had taken the view that examination by two practitioners was prescribed in its orders and that where two practitioners are involved there is less risk of a man subsequently being found unfit and becoming a charge on the pension fund because he must be discharged as medically unfit. By comparison the Navy and Air Force had, since their inception, considered this to be a reasonable risk. Although the decision to make this change was taken by the Department of Defence in October, examinations by a second doctor continued in certain Army Commands until March or April 1967 due to commitments entered into by the Army under the previous arrangement.

Exhibit 96/16

126. At the request of the R.A.A.F., the advertising for R.A.A.F. general enlistment categories was reduced considerably during the period from September 1966 to March 1967. The R.A.A.F. had found the response in this field satisfactory and because of shortages in skilled categories, a large increase in general enlistments could have resulted in an imbalance in its manpower structure. We were informed that at the time of the preparation of the Additional Estimates, the Department of Defence had been advised that a resumption of a campaign for R.A.A.F. general enlistments would be required and provision had been made for expenditure on increased fees for this project. However, the project did not eventuate.

Exhibit 96/16

127. We were informed that when the Additional Estimates were being prepared, the trend of expenditure and recruiting activity indicated that \$3,500 would be required for medical examinations in South Australia and \$300 for Western Australia. These amounts were fully expended in the respective states. It was considered at the time when the Additional Estimates were being prepared that funds available to the Eastern states would be fully expended. However, the factors mentioned above resulted in a shortfall in expenditure in these states.

Conclusions

128. Your Committee notes from the evidence that in several areas relating to this Item difficulty was claimed in regard to the formulation of accurate estimates. We accept this claim for an item of this type and would emphasise that such difficulties should lead the departments

concerned to formulate their estimates on a basis of sensible conservatism in the knowledge that, should it prove necessary towards the end of the financial year they can have recourse to the Advance to the Treasurer.

129. Your Committee also notes with some concern that for reasons evidently unconvincing to the Department of Defence, the Department of the Army had persisted for many years with a system of medical examination for recruits involving two medical practitioners instead of one as has been practised by the Navy and the Air Force. We would commend the Department of Defence for its action in bringing Army recruitment medical practices to a common basis with those operated by the Navy and the Air Force.

(iv) DIVISION 655/1/01: OTHER ADMINISTRATIONS—RECOVERABLE EXPENDITURE—EXPENDITURE—UNITED STATES OF AMERICA

Appropriation Act (No. 3) \$769,000: Expenditure \$36,181

130. This item was introduced during 1966-67 to provide for the payment of transactions, on a pre-payment basis, on behalf of the Advanced Research Projects Agency, a civilian agency of the United States Department of Defence. The transactions involved are for services performed by Commonwealth Departments and instrumentalities in connection with the construction and operation of the Joint United States-Australia Defence Space Research Facility at Alice Springs. In this arrangement the Department of Defence is the co-ordinating agency and the financial channel through which the United States organisation and its contractor pay for services rendered by Commonwealth Departments.

Exhibit 96/17
and Q. 421

131. The expenditure provision included in the Appropriation Act (No. 3) was based largely on advice from the United States officials of planned delivery of equipment. The estimated cost of wharfage, storage and transportation from Adelaide to Alice Springs is \$65 per long ton. On this basis, \$700,000 was provided comprising 10,000 tons at \$65 plus contingencies of \$50,000. In addition, the hire of vehicles from the Department of Supply was estimated to cost \$20,000 and services by the Postmaster-General's Department were estimated to cost \$49,000. In fact, there was considerable slippage in the schedule of equipment delivery from the United States. This was to some extent influenced by severe flooding in the Alice Springs area, e.g. the railway line to Alice Springs was cut for five weeks. Because of legal and other difficulties, including negotiations with officers in the United States in respect of local hire charges, no vehicle hire charges were incurred in 1966-67 and the actual cost of the charges made by the Postmaster-General's Department amounted to only \$26,309. A concomitant of this shortfall in expenditure was a reduction in receipts under Division 655/1/01 from an estimated \$769,000 to \$293,227. This left a credit balance to the United States of America of \$257,046 in Division 655.

Exhibit 96/17
and Q. 423

Q.'s 418 and
419

132. We were informed that the first advice in relation to the planned delivery of equipment received by the Department was on 2 March and that a review of this advice was made on 14 March. The equipment was to be delivered to a planned phased monthly schedule. In March there were to be 2,654 tons and the figure was the same for April and May. In June the figure was to be 2,700 tons making a total of 10,662 tons at \$65 a ton. This figure was refined later to 10,000 tons for the four months.

Q.'s 418 to 424

133. In regard to the slippage that occurred in delivery due to floods we were informed that it was primarily the Department of Supply which was to provide facilities for receipt and storage in Adelaide and onward transport to Alice Springs. That Department had kept the Department of Defence informed regarding the slippage. In the case of the failure to pay vehicles hire charges, the evidence indicated that queries had been raised by the United States organisation in relation to the actual hire rates. In this regard the Department of Defence approached the Department of Supply in the latter part of the financial year in an effort to obtain any accounts that were available for payment. However, it was not until after the close of the financial year that the rates were actually accepted by the United States organisation.

Conclusions

134. Your Committee accepts the explanation tendered by the Department. In this case the estimate concerned was provided by the United States authorities and related to expenditure on a pre-payment basis on their behalf.

CHAPTER 6—DEPARTMENT OF EDUCATION AND SCIENCE

(i) DIVISION 157/4/05

Appropriation Act (No. 1) \$963,000: Expenditure \$815,816

135. This item provides for maintenance and other allowances, tuition fees and examination costs under the Commonwealth Technical Scholarships Scheme. Exhibit 96/18

136. The Commonwealth Technical Scholarships Scheme provides for up to 2,500 new awards to be made available each year. It was estimated that the number of students in training under the Scheme in 1966 would be some 3,000 rising to 4,700 in 1967. In the event, however, there were 2,900 in training in 1966 and some 3,600 in 1967. It was said that the Scheme provides for both full-time and part-time students and that the possibility of withdrawal from the scheme by part-time students is fairly high. For example, it had been estimated that in the period July to December 1966, there would be 2,000 full-time and 900 part-time students. In fact, there were slightly more than the estimated number of full-time and only 700 part-time students.

137. When the Estimates for 1966-67 were being formulated, it had been expected that \$638,000 would be required for maintenance allowances, \$184,000 for fees, and \$141,000 for books and equipment. Actual expenditure was \$579,678 on maintenance, \$92,797 on fees, and \$143,341 on books and equipment. The shortfall in expenditure on maintenance and fees was said to be due to the fact that there were 70 fewer full-time and almost 1,000 fewer part-time students in training than had been expected. The excess over estimated expenditure on books and equipment was claimed to be due to an alteration in the provisions of the Scheme in October 1966 which permitted payment of allowances for books and equipment above the basic grant in respect of particular courses. Exhibit 96/18

138. It was said that a number of other factors contribute to the difficulties in providing accurate estimates under this scheme. While the number of new awards taken up each year should continue to approach the number available, factors such as the differing lengths of courses and availability of awards to students already part of the way through a course, raise serious problems in relation to the estimation of expenditure.

139. We were informed that information collected since the commencement of the Scheme in 1965 has been taken into consideration in framing the estimates for this item in 1967-68 and it was claimed that as more statistical information becomes available, greater accuracy will be achieved in estimating expenditure for given financial years. It was indicated that experience of the previous financial years had led to a

more conservative approach to the Original Estimates in the current financial year, with a view to utilising, if necessary, the Additional Estimate provisions.

Conclusions

140. Your Committee recognises that as the Scheme to which this item relates was not introduced until 1965, the Department will not yet have acquired sufficient statistical information on which to formulate its estimates with firm confidence. In these circumstances and on the basis of the Department's estimating and expenditure experience in 1965-66 and 1966-67, we would commend it for its more conservative approach in developing its Original Estimate on this item for 1967-68 on the basis that should the need arise it can seek further funds in the Additional Estimates later in the financial year.

(ii) DIVISION 944/3

Appropriation Act (No. 2) \$100,000: Expenditure \$79,686

Exhibit 96/19
and Q's 442
to 454

141. This item provides for contributions to be made towards the capital costs of affiliated residential colleges at the Australian National University. It was decided in September 1964 that Commonwealth support would be given to the extent of \$2,600,000 for three affiliated residential colleges at the Australian National University. This amount is to be made available to the colleges as they become operative. It was said that there is no compulsion to proceed with any plans that may have been submitted to the Department of Education and Science and that a time limit has not been set for expenditure of the grant.

142. We were informed that \$100,000 had been sought in the Original Estimates in the expectation that two projects, St Ursula's and John XXIII Colleges, would have been commenced in the financial year 1966-67. In the event, however, tenders were not called for John XXIII College until much later than had been expected. It was said in evidence that the Department had expected that tenders for this College would have been called in the second half of the financial year. The tenders were called and accepted in July 1967, however, and all of the expenditure made under this item in 1966-67 was in respect of St Ursula's College.

Q's 447 and
453

143. In the case of the circumstances surrounding John XXIII College, we were informed that the provision had been made at the request of the College authorities. The witness was unaware of the cause of the delay in the work on the college as the college authorities had not advised the Department as to the reasons for the delay in accepting a tender. He felt that it may have been partly attributable to the fact that the authorities were given some accommodation in the University itself.

Conclusions

144. Your Committee recognises that under the arrangement made in 1964 whereby Commonwealth support to the extent of \$2,600,000

should be given to the colleges concerned, they are under no compulsion to proceed with any plans that they may have submitted to the Department. However, Your Committee believes that in seeking funds either in the Original or Additional Estimates for such work, the Department administering the item has a clear responsibility to satisfy itself, as far as possible, that the work for which the funds are to be sought will in fact proceed and that it has a further responsibility to keep fully informed as to developments that may be taking place in relation to the projects. It is clear that in cases of this kind the Department would be wise to exercise considerable caution in regard to the amounts sought in the Original Estimates.

(iii) DIVISION 946/04

Appropriation Act (No. 2) \$20,000: Expenditure \$2,108

145. We were informed that the Commonwealth had decided to make available \$250,000 for research and investigation in advanced education for the triennium which commenced on 1 January 1967. When the estimate was being framed for 1966-67 the Commonwealth Advisory Committee on Advanced Education supplied an indication of two investigations which it thought might be carried out during the period from 1 January to 30 June 1967. No expenditure occurred on one of these projects as its implementation depended upon the recruitment by an organisation of a suitable research worker. At the time of our Inquiry this position had not been filled. The other project was a preliminary investigation by an overseas authority and it was in respect of this matter that expenditure occurred.

Exhibit 96/20
and Q's 455
and 456

Conclusions

146. Your Committee is of the opinion that funds should not have been sought for this item in the Original Estimates for 1966-67. Neither of the projects concerned were expected to commence before 1 January 1967 and in the case of one of them, its commencement depended on the recruitment and appointment of an officer, a matter which invariably is time consuming.

CHAPTER 7—DEPARTMENT OF EXTERNAL AFFAIRS

(i) DIVISION 165/2/11: ADMINISTRATIVE DIVISION—ADMINISTRATIVE EXPENSES—PUBLICATIONS—PRINTING AND DISTRIBUTION

Appropriation Act (No. 1) \$114,000: Expenditure \$47,952

Exhibit 96/21

147. This item provides for the printing and distribution of the Department's information material. The principal reason for underexpenditure in this vote was said to be the failure to find suitable staff to carry out the programme on which the Estimates had been based. Not only was the necessary manpower not available to prepare the basic material for production and distribution, but because of the increasingly difficult staff situation in the political sections of the Department which are largely responsible for the assembly and checking of material, several of the publications planned were not produced. Others which had been prepared had to be deferred because expert checking could not be carried out. Problems which were not overcome during the year were that of filling the position of editor and a position of External Affairs Officer, Grade 3, which was vacant from December 1966. The latter is responsible, inter alia, for the direct supervision of the Publications Section. Vacancies in these key positions seriously affected the Branch's capacity to carry out its publications programme.

148. Two of the six 'Select Documents' planned were completed as were one of the four 'Information Handbooks', and two of the four other pamphlets. The proposed monthly 'Bulletin on International Affairs' was not completed and a special publication on Australia's external aid programme was not proceeded with because staff was not available to prepare the material for publication. Failure to complete the publications programme was reflected also in substantial underexpenditure in the vote for distribution costs.

Q. 472

149. It was said that the publications referred to could not have been produced outside the Department of External Affairs because officers producing the material need to be familiar with departmental files and also must be subject to the discipline and checks which are necessary before access is allowed to certain information.

Q.'s 470 and
471

150. We were told that the occupant of the position of External Affairs Officer, Grade 3, was a career diplomatic officer who had been reassigned to other duties in the second half of the financial year. The position of editor had to be filled from applicants outside the Public Service, which it was said could be a lengthy procedure. In this instance, by the time these procedures had been completed the appointee had accepted another position and the whole procedure had to be repeated. The Public Service Board Observer, Mr Vanthoff, indicated that when a Department recruits a suitable appointee with special qualifications and/or experience from outside the Commonwealth Service certain rules

must be adhered to. He said that these are provided for by the Public Service Act to ensure that the interests of officers within the Commonwealth Service are protected.

151. It was noted that in addition to actual expenditure of \$47,952 a further amount of some \$25,300 was committed in the months of March, April and May. Total committed expenditure for the year was thus \$73,252.

152. When asked to indicate the stage at which the staffing difficulties began to emerge the witness indicated that the problem should have been apparent to the Department when the Estimates were formulated. He added that, on close investigation, the \$114,000 sought in the Estimates seemed to have been an optimistic appropriation based on what could be achieved under optimum circumstances and he thought that if the Department had examined the matter realistically, a smaller amount would have been sought. Q. 469

Conclusions

153. While Your Committee appreciates the matter of the staffing problems that evidently arose in respect of this item we agree with the witness that the relevant circumstances were not taken into proper account when the Estimate was formulated.

(ii) DIVISION 165/2/12: ADMINISTRATIVE DIVISION—ADMINISTRATIVE EXPENSES—COMMUNICATIONS EQUIPMENT—PURCHASE, INSTALLATION AND MAINTENANCE

Appropriation Act (No. 1) \$179,600: Expenditure \$69,357

154. This item provided for the purchase, installation and maintenance of communications Equipment. Exhibit 96/23

155. Treasury approval was given for the commitment of \$288,400 under this item to meet expenditure involved in respect of a long term programme planned to modernise the communications network of the Department. Provision was made in Appropriation Act (No. 1) for \$179,600, estimated to be the initial cash requirement for 1966-67 and further funds were to be sought in the Additional Estimates. Exhibit 96/23

156. Included in the appropriation was an amount of \$47,000 provided for the maintenance of communications equipment at overseas posts by the Diplomatic Technical Maintenance Service at the British Foreign Office, and calculated on the basis of the then current rate of \$900 per machine per annum. In July 1966, the Foreign Office indicated that in future, maintenance charges would be calculated for work undertaken at hourly rates. Accounts paid to the Foreign Office during 1966-67 under the revised method of charging totalled \$12,124. Exhibit 96/23

157. The balance of the shortfall in expenditure was due to delays in the delivery of equipment ordered from British Government sources and commercial organisations in the United States of America. Orders Exhibit 96/23

Q. 478 for equipment valued at \$178,877 were placed in London in August 1966, with deliveries expected by May 1967. At the time of our Inquiry, however, deliveries were not expected to be completed until September or October 1967.

Q.'s 479 and 480 158. We were informed that the British Government supplies this equipment to Governments other than the Australian Government. When orders are placed the Department indicates the date on which it desires delivery to be made but it has no constant priority in deliveries and the British Government may alter its own assessment of the priorities of needs of Governments who have placed orders with it.

Exhibit 96/23 and Q. 491 159. In seeking admission of liability for the \$288,400 under this item, the Department realised that it might not be able to complete its ordering and make payment during the financial year but expected that deliveries of equipment from London would allow the payment of at least \$132,600 to be made, i.e. the appropriation less the expected maintenance charges in respect of equipment at overseas posts. In fact, payment in London totalled only \$52,000. It was said that had the expected deliveries been made there would have been no resultant shortfall in expenditure because in the \$179,600 appropriated allowance had been made for the expenditure of \$47,000 on maintenance. As noted this amount was not expended due to a change by the Foreign Office in the calculation of charges and arrangements for payments.

160. Ordering procedures in respect of equipment to be purchased from the United States of America began early in the financial year. Delays occurred however due to the necessity for contractors to meet unusual specifications related to the Department's special communication requirements. Specifications and subsequent ordering procedures were not finalised until April 1967. Provision for these purchases had not been included in the Original Estimates.

Q.'s 491 to 492 161. When the estimate for this item was framed funds were not provided for equipment to be purchased from the United States of America. We were reminded that the total possible commitment was substantially in excess of \$225,000. In fact much less than this was sought and the witness expressed the opinion that a prudent calculation of requirements had in fact been made.

Conclusions

162. Your Committee accepts the Department's explanations.

(iii) DIVISION 165/4/08: ADMINISTRATIVE DIVISION—INTERNATIONAL ORGANISATIONS—CONTRIBUTION—INTERNATIONAL ATOMIC ENERGY AGENCY

Appropriation Act (No. 1) \$115,900, Appropriation Act (No. 3) \$7,400: Expenditure \$49,107

Exhibit 96/24 163. This item provides for the payment of Australia's contribution to the International Atomic Energy Agency.

164. Included in the item was a provision of \$74,186 for Australia's contribution to the International Atomic Energy Agency for the first half of 1967. In January 1967 financial authority was forwarded to the Commonwealth Sub-Treasury in New York to make this payment. The Department was subsequently advised by the Sub-Treasury however that, due to misfiling of the authority before action on it was completed, payment was not effected during the financial year. The error was discovered in Canberra after the end of the financial year. The Department of the Treasury Observer, Mr Cowie, informed us that this mistake was probably due to a clerical error in the Sub-Treasury in New York and mentioned that the Department of the Treasury was aware of staffing difficulties which were being experienced by the Sub-Treasury. He assured us, however, that the present system, if properly operated, would be adequate to ensure against simple clerical errors.

Exhibit 96/24

Q.'s 511 and 515

Conclusions

165. Your Committee is disturbed by the circumstances disclosed in evidence relating to this item. Simple clerical errors can involve considerable amounts of money and are of a serious nature. The failure to detect the error until after the close of the financial year is equally disturbing.

(iv) DIVISION 165/4/10: ADMINISTRATIVE DIVISION—INTERNATIONAL ORGANISATIONS—CONTRIBUTION—EASTERN REGIONAL ORGANISATION OF PUBLIC ADMINISTRATION

Appropriation Act (No. 1) \$1,100; Expenditure Nil

166. This item provides for the payment of Australia's annual subscription to E.R.O.P.A., Manila. Because of an oversight the subscription was not paid, and as E.R.O.P.A. did not send a reminder notice, the omission was not brought to notice until it was too late to make the payment in the financial year. The Organisation usually sends its account to the Australian Embassy in Manila, but in this instance it did not do so. It was said that the claim had not been pursued and that it should have been apparent that payment had not been made. We were told that the control of funds under this item is maintained by a Warrant Authority issued by the Department of the Treasury. This Authority may be issued progressively through out the year, or if necessary in a lump sum. The Department of the Treasury Observer, Mr Cowie, indicated that E.R.O.P.A. is a new organisation staffed on a fairly part-time basis, and that its clerical procedures may not be very efficient.

Exhibit 96/25
and Q.'s 518
to 522

Conclusions

167. It is clear that when the provision of \$1,100 was made in the Original Estimates the Department expected to receive an account in its Manila office from E.R.O.P.A. The circumstances stated in evidence reflect adversely on the Department's financial control arrangements in that it evidently failed to recognise that the amount concerned related

to a current liability requiring discharge during the financial year and its equal failure to pursue the account when for some reason, E.R.O.P.A. failed to submit it in the course of its normal operations.

(v) DIVISION 165/4/14: ADMINISTRATIVE DIVISION—INTERNATIONAL ORGANISATIONS—CONTRIBUTION—ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT ASSISTANCE COMMITTEE

Appropriation Act (No. 3) \$36,700: Expenditure \$18,260

Exhibit 96/26 168. This item provides for payment to the Organisation for Economic Co-operation and Development Assistance Committee.

Exhibit 96/26 169. Application was made to the Department of the Treasury on two separate occasions for funds to pay Australia's contribution to the Committee. The second application was made in error and this was not discovered until after the Additional Estimates had been finalised.

Q. 523 170. The first application was made to the Department of the Treasury on 18 October 1966. Funds were made available by the Treasury from the Advance to the Treasurer pending the Additional Estimates on 21 October and payment was made in November 1966. In March 1967 a cable from Paris in respect of this contribution was directed to the Political Section of the Department. Because of the ambiguity of the wording of the cable a second application for funds was made. It was said that this application was worded in such a way that the Department of the Treasury could not be held responsible for making the funds available a second time. Both applications were taken up in the Additional Estimates. The contribution is made on a calendar year basis and it was indicated that this was a basic factor in the duplication of the appropriation.

Q. 530 171. The Treasury Observer, Mr Cowie, said that in a case such as this where a provision has not been made in Appropriation Act (No. 1) a request is made to the Department of the Treasury for funds. He said that the request may be for an admission of liability and a subsequent provision of funds, or for a simultaneous admission of liability and provision of funds. In this instance the latter method was adopted. He said that the Department of the Treasury would have noted the requirement or the commitment against the Additional Estimates and at the same time, as a request for funds had been made, a Warrant Authority for expenditure from the Advance to the Treasurer would have been provided. The expenditure would have been subsequently recouped to the Advance from the Additional Estimates when these were processed later in the financial year. He indicated that the Department of the Treasury was under the impression that the second request was in respect of the calendar year 1967.

Conclusions

172. It appears to Your Committee that when the second request for funds was received from Paris in March 1967, the Finance Branch

of the Department and the Department of the Treasury were aware that payment had been made to the Committee concerned during the previous November in respect of the calendar year 1966. As a request for funds for the Committee for that year had been made in October 1966, it is surprising that neither Department queried the payment of two calendar year contributions during the course of a single financial year. If, however, the Political Section of the Department of External Affairs sought and obtained funds direct from the Department of the Treasury in response to the request made from Paris in March 1967, the circumstances of the case appear to be even more remarkable. We would expect any request made to the Department of the Treasury for funds to emanate from the Finance Branch of the Department and we would also expect the Department of the Treasury to raise queries if other branches or sections made unilateral requests for funds at any time in a financial year.

(vi) DIVISION 165/5/17: ADMINISTRATIVE DIVISION—INTERNATIONAL DEVELOPMENT AND RELIEF—COST OF TRANSPORTING TO VIET NAM
PRIVATE DONATIONS OF RELIEF AID

Appropriation Act (No. 1) \$5,000: Expenditure Nil

173. This item provides for payment of the cost of transporting to Viet Nam private donations of relief aid. The Department's submission stated that the \$5,000 had been set aside in the expectation that during the course of the year it might be required to finance the transport of some non-government gifts. In the event, however, the money was not required. Exhibit 96/27

174. It was claimed that realistic estimates are difficult to formulate for this item. It was stated that while the Government does not discourage the collection of materials by private organisations for shipment to Viet Nam, its attitude is that if private people wish to make contributions of a humanitarian kind, the total cost of that contribution should be made by those people and government funds should not become involved. In certain very unusual cases, however, Commonwealth funds have been used in this way. The witness agreed that the inclusion of the \$5,000 in the Original Appropriation for this item was contrary to the principle that estimates should not include amounts for proposals which are so far from being firm that it is not possible to know what payments if any will be made. Q.'s 544 to 549
Q.'s 548 and 549

175. The Treasury Observer, Mr Heinrich, however, stated that the estimate would have been included in the Appropriation Bill (No. 1) on the understanding that the goods in question would be sent to Viet Nam by commercial shipping. He indicated that the Government had agreed to a request for assistance from a private organisation which had already collected certain goods to send to Viet Nam and that the appropriation was in respect of a commitment undertaken by the Government. He said that the estimated cost of transporting the goods to Viet Q.'s 551 and 552

Nam was approximately \$5,000. He also indicated that in fact the goods were not sent by commercial shipping, but in ships that had been chartered by the Government for the transport of other goods to Viet Nam. The witness for the Department of External Affairs subsequently confirmed that there was a commitment in respect of this item which in the view of the Department of the Treasury, justified the inclusion of a specific sum in the appropriation. He said that the money was not spent however, because the goods were transported without identifiable cost.

Conclusions

176. Your Committee is disturbed by the fact that the Department's submission and the initial evidence tendered by the witness on this item indicated that the amount of \$5,000 was included in the estimates as a provision to meet a possible eventuality and that this evidence was not in accordance with the facts. Had the facts been as indicated by the departmental submission, we would have criticised the Department for making a provision in the Estimates for an amount which was so far from being firm that it was not possible to know what payments, if any, would be made. As the facts stand, however, we find it difficult to accept that a department would have funds in an item under its administrative control without also having a clear appreciation of the reason for the provision having been made.

(vii) DIVISION 165/5/19: ADMINISTRATIVE DIVISION—INTERNATIONAL DEVELOPMENT AND RELIEF—FLOOD RELIEF—INDONESIA

Appropriation Act (No. 1) \$2,000: Expenditure Nil

Exhibit 96/28

177. This item provides for payment of development and relief to Indonesia. The Department's submission stated that the amount concerned was set aside in the expectation that the Department would be required to finance the transportation of some non-government gifts, however, the money was not required.

178. Initially the witness confirmed that when the Estimates were formulated the Department anticipated that there would be an amount of \$2,000 which would be paid in 1966-67 but this proved to be incorrect.

Q. 738

179. He informed us at a later stage in the Inquiry, however, that although no expenditure had occurred under this item, there was a definite commitment. The \$2,000 was spent and was charged against Item No. 165/2/13 the incidentals vote for the administration of the Department. It was said that a costing officer had regarded this as a proper charge to that vote, while being unaware that an appropriation of \$2,000 for this specific item existed.

Conclusions

180. As in case of Item 165/5/17, Your Committee is disturbed to find that the evidence tendered initially by the witness was misleading.

Your Committee also finds it difficult to accept that an error of judgment as to the proper vote to which an amount should be charged should have remained undetected until too late for its correction to be achieved in the financial year concerned.

(viii) DIVISION 169/1/02: ANTARCTIC DIVISION, SALARIES AND PAYMENTS IN THE NATURE OF SALARY—TEMPORARY AND CASUAL EMPLOYEES

Appropriation Act (No. 1) \$569,500, Appropriation Act (No. 3) \$4,200: Expenditure \$561,543

181. This item provides for the payment of salaries and allowances to temporary and casual employees in the Antarctic Division.

Exhibit 96/29
and Q.'s 586
and 561

182. An amount of \$4,200 was obtained in the Additional Estimates and the Department's submission showed that a further amount of \$3,500 had been obtained in the advance to the Treasurer. It was said that on a pro rata expenditure basis as at 31 March, the additional appropriation of \$4,200 had been justified, and that it was expected that all funds would have been expended in accordance with the estimates. In respect of the Advance to the Treasurer, however, it was said that in the past difficulties had been experienced with this appropriation in that if notice of a new commitment is received after the closure date for the Additional Estimates and an admission of liability from the Department of the Treasury is needed, the issue of a Warrant Authority is automatically involved.

183. The Department of the Treasury Observer, Mr Cowie, said that after the passage of the Additional Estimates there is not a great deal of time left in the financial year. He said that although in theory there are two separate processes of admitting liability and providing funds, in fact as the close of the financial year approaches these two processes tend to merge because it is obvious that if a Department expects funds to be spent from the Advance in that financial year it will require Warrant Authority immediately. In such circumstances a request by a Department for admission of liability is more or less accompanied by a request for a Warrant Authority.

Q.'s 564 and
565

184. The witness for the Department of External Affairs assured us that the closest attention had been paid in 1966-67 to the matter of having recourse to the Advance to the Treasurer. He said that an instruction had been issued from the Permanent Head of the Department that a request for funds using this procedure should be made only if there were no practical alternatives available. The witness expressed the view that as the amount of shortfall in this item represents less than two weeks salaries and wages payments, the result should not be regarded as unsatisfactory.

Q.'s 566 and
562

185. This vote is largely composed of salaries and allowances for temporary expedition personnel. The difficulty experienced in locating personnel with adequate qualifications, coupled with terms of employment

Exhibit 96/29

which tend to fluctuate, make it extremely difficult to predict with accuracy a final expenditure figure. For example, \$22,000 was provided for the recruitment of scientific staff in the first six months of 1967 for training in connection with the 1968 expeditions. Recruitment for this project commenced in November, 1966 but due to the difficulties experienced in getting recruits of the right quality and with the requisite degree qualifications, at the time of our Inquiry all recruits had not commenced duty.

Q.'s 570 to 573 186. It was said that numerous problems arise in the recruitment of scientific staff for expeditions. First, a career is not being offered to applicants for positions in the same way that this opportunity is offered to recruits into the Commonwealth Service. People sought for scientific expeditions are specialists and the pool from which they may be chosen is not large. The most exacting health, including psychological, standards are adhered to. When a candidate who conforms to these requirements is chosen the problem may arise that his employer will not release him. It was said that problems of this type cannot be met by policy changes. The Public Service Board Observer, Mr Vanthoff, informed us that the Board works closely with the Antarctic Division of the Department of External Affairs in the recruitment of staff for the Antarctic Division and assured us that in the view of the Public Service Board, the salaries, allowances, and general conditions of employment for these categories of officers are such that the Department has a reasonable opportunity of attracting a sufficient number of applicants from which to choose suitable personnel.

Exhibit 96/29 187. There are fairly well established periods during which expedition personnel remain with the Department after returning from the Antarctic, but these are flexible. Some officers who returned in December/January 1966-67, did not remain on the Division's staff as long as expected. This was especially so in the case of medical officers. The medical officer from Macquarie, due to personal reasons, finished duty immediately on his return from recreation leave and completed his reports in his own time. The medical officer from Mawson, after spending a short time with the Division went on leave without pay to complete his Residency at the Royal Adelaide Hospital. It was expected that he would resume duty with the Division in October 1967 to complete reports on research investigations.

Exhibit 96/29
Q. 577 188. Additional funds were sought for Radio Officers and Radio Technicians following wage determinations providing for salary increases. These involved retrospective payments and involved payments to staff no longer with the Division. It was said that salary records were not held in respect of Commonwealth Service employees who had returned to their Departments because such records had been returned to the Departments concerned and it was difficult to trace others, some of whom were in other countries. For these reasons not all retrospective payments in respect of determinations No. 238 and No. 161, advice of which was received in April and May 1967 respectively, were paid in the 1966-67 financial year.

189. In its examination of this item, Your Committee has noted that in each of the three years 1964-65 to 1966-67 funds have been sought in both the Original and Additional Estimates and in these years a shortfall, substantially greater than the amounts provided in the Additional Estimates, has occurred. In 1966-67 in particular the Department obtained \$4,200 in the Additional Estimates and then had recourse to the Advance to the Treasurer to the extent of \$3,500 in the final stages of the year. In that year, and notwithstanding the Department's assessment of its financial needs when it sought funds from the Advance to the Treasurer, the shortfall on the item amounted to \$15,657. These results lead us to disagree with the witness who suggested that as the shortfall amounted to less than two weeks salaries and wages payments, the result should be regarded as satisfactory. The financial history on the item is indicative of the need for great care to be exercised in the formulation of Original Estimates and in the review of the finances of the item when Additional Estimates are under consideration.

(ix) DIVISION 179/2/06: FRANCE—ADMINISTRATIVE EXPENSES—
RENT AND MAINTENANCE OF OTHER BUILDINGS

Appropriation Act (No. 1) \$43,600, *Appropriation Act (No. 3)*
\$5,800: *Expenditure* \$42,826

190. This item provides for the payment of rent and maintenance of other buildings in France. Exhibit 96/30

191. An amount of \$5,800 was included in the Appropriation Act (No. 3) to cover advance rent on apartments leased for officers who had taken up duty in Paris during the year, it not being clear that funds appropriated under Act (No. 1) would have been adequate. The estimate for this item is formulated by taking account of the residences occupied by officers of the Department in Paris, and the terms of each lease in relation to rental and other payments. Q. 617

192. The witness admitted in evidence that an error had been made in seeking funds for two residences in Paris fairly early in the financial year when the post had not specifically sought additional funds, and again in not realising at the time of the Additional Estimates review that the funds were not required. The witness also admitted, however, that insufficient care was paid in Canberra to the amount of funds available, and to the requirements which could be foreseen for the remainder of the financial year. Q. 616
Q. 620

Conclusions

193. Your Committee is disturbed by the nature of the errors disclosed in evidence in relation to this item and trusts that it will not have cause to examine the Department in future years in connection with errors of this kind.

(x) DIVISION 180/1/01: GERMANY—SALARIES AND ALLOWANCES—
SALARIES AND ALLOWANCES

*Appropriation Act (No. 1) \$79,200, Appropriation Act (No. 3)
\$2,900: Expenditure \$70,819*

Exhibit 96/31 194. This item provides for payment of salaries and allowances to Australian-based officers in Germany.

Q.'s 622 to 630 195. The Original and Additional Estimates for this item are compiled in the first instance by the Department's Post in Germany. These are varied in the Central Office of the Department by the addition of items such as variations of salaries for officers taking up duty at posts, which are known only in Canberra. It was claimed that estimates from posts are checked carefully by the Department in Canberra before their submission to the Department of the Treasury.

Q.'s 622 to 630 196. Additional funds of \$2,900 were obtained under Appropriation Act (No. 3). Of this amount \$1,900 was intended to provide for a retrospective adjustment to 1 July 1966 of the Ambassador's salary and \$1,000 to provide for child allowance and education expenses incurred by the replacement of the Consul in Hamburg, on 7 January 1967, by a married officer with four children. In March 1967, subsequent to the closing date for the Additional Estimates, the Department discovered that in drafting the Original 1966-67 Estimates, the total figure reached had been overstated by \$10,000 due to an error in addition. Further expenditure occurred because the position of Consul in Hamburg was vacant for one month. It was admitted, however, that in this instance an error of totalling in the original draft estimate had been made in Canberra. This error was discovered towards the end of March 1967 following the submission of Additional Estimates to the Department of the Treasury.

Conclusions

197. Your Committee is concerned by the fact that while an error was made in the Original Estimates for this item, it was not discovered during the review of the item prior to the Additional Estimates. However, as the error was discovered shortly after additional funds had been sought for inclusion in Additional Estimates for this item we believe that the Department should have advised the Department of the Treasury of the circumstances with a view to withdrawing the request for additional funds.

(xi) DIVISION 180/1/02: GERMANY—SALARIES AND PAYMENTS IN
THE NATURE OF SALARY—TEMPORARY AND CASUAL EMPLOYEES

*Appropriation Act (No. 1) \$60,100, Appropriation Act (No. 3)
\$3,600: Expenditure \$54,307*

Exhibit 96/32 198. This item provides for payment of Salaries and Allowances to temporary and casual employees in Germany.

199. The Departmental submission stated that the shortfall in expenditure in respect of this vote was attributable to changes in the United Kingdom based staff, and to the difficulties experienced in locating suitable staff for two positions in the Hamburg Consulate. During the year a number of senior United Kingdom based, and locally engaged staff were replaced, the new appointees receiving less remuneration than the former occupants of the positions.

200. In explanation of the submission the witness stated that advice had been received from the Hamburg Post that a position of Consular Assistant had not been filled during the financial year and a position of Clerk-Typist had been vacant for some considerable time. In Bonn, a member of the Department's United Kingdom based staff had been employed for fourteen weeks. Q. 637

201. We were informed that the \$3,600 obtained in the Additional Estimates was intended to cover increased allowances for locally-engaged staff. The Department had sought admission of liability for this amount from the Department of the Treasury pending the Additional Estimates. When the Additional Estimates were being formulated no indication was given by the Posts concerned that the amount would not be required and the Department therefore took up the liability and it was included accordingly in the Additional Estimates. The witness agreed that in formulating the request for these funds account should have been taken of the problems experienced in filling the positions at the Posts concerned with locally-engaged staff and that, in the circumstances, this amount should not have been sought. Q.'s 638 to 645

The witness further agreed that the non-requirement for these funds should have been evident from a comparison of actual and pro-rata expenditure in the item. On the other hand, however, in the case of items relating to temporary and casual employees the Department relies on the advisings made by the Overseas Posts whose officers have a better knowledge of local conditions than do officers located in the Department in Canberra.

Conclusions

202. Your Committee finds that \$5,793 of the shortfall in expenditure under this item arose from staffing difficulties at the Post concerned due to circumstances beyond the control of the Department. In the case of the remaining shortfall of \$3,600, however, it is clear that the Posts located in Germany should have advised the Department when the Additional Estimates review was undertaken, that the amount, which had been sought at an earlier stage in the financial year, was no longer required. At the same time, however, we believe that having sought the admission of liability from the Department of the Treasury, the Department should have examined expenditure trends on the item with some care and should have sought specific confirmation from the Posts concerned that the amount was, in fact required, before allowing it to be included in the Additional Estimates.

(xii) DIVISION 180/1/03: GERMANY—SALARIES AND ALLOWANCES—
EXTRA DUTY PAY

Appropriation Act (No. 1) \$5,200: Expenditure \$1,759

203. This item provides for payment of extra duty pay to Australia-based officers in Germany.

Exhibit 96/33

204. We were informed that in submitting its estimates for 1966-67 the Post provided for an amount representing likely overtime payments during the year and an amount to provide for an increase following the approval of increased salaries for local staff. Both amounts were covered by the appropriation, but it was later discovered that the amount estimated for overtime payments by the Post included the increase for salaries of local staff. This error occurred in Canberra in that the estimate submitted by the Post had been added to, in error, in the Canberra office. The error was not discovered, however, until the shortfall in expenditure was being examined at the close of the financial year. Additional reasons for the shortfall in expenditure under this item, and involving \$900, were difficulties experienced in filling Britain-based positions and the absence of a driver for four months on sick leave.

Exhibit 96/33
and Q.'s 658
to 665

Conclusions

205. Your Committee finds that insufficient care was taken by the Department in verifying the \$5,200 sought by the Post concerned for inclusion in the Original Estimates.

(xiii) DIVISION 197/2/05: SOUTH AFRICA—ADMINISTRATIVE
EXPENSES, RENT AND MAINTENANCE OF HEAD OF MISSION'S
RESIDENCE

Appropriation Act (No. 1) \$11,600: Expenditure \$5,283

Exhibit 96/34

206. This item provides for payment of rent and maintenance of the Head of Mission's residence in South Africa.

Q.'s 676 and
678

207. Provision is made each financial year under this item for the cost of leasing temporary accommodation for the Ambassador in Capetown during the Parliamentary session in that city. However, in 1966-67 considerable difficulty was experienced in obtaining suitable accommodation for this period. As a result, the Ambassador was located in Pretoria and visited Capetown for brief periods. In these circumstances, the charge for accommodation is applied against a different vote. The appropriation for this item has increased each year between 1964-65 and 1966-67 because in Capetown in this period there had been a seller's market for leased accommodation and the Department had found it necessary to anticipate that a suitable residence in Capetown would only be available at a higher rental. Although the Department was prepared to pay a higher rental, no suitable residence was found during the three years concerned.

Conclusions

208. Your Committee believes that the circumstances relating to accommodation in Capetown, and which have been known to the Department for at least three successive years, are such that, rather than seeking funds in the Original Estimates for this item the Department would have been wise to restrict its request for funds at that time and to make greater use of the Additional Estimates, if necessary, at a later stage in the financial year. This is particularly so as the failure to acquire accommodation in Capetown at any price, involves the obtaining of accommodation elsewhere and results in the costs concerned being charged to a different item of expenditure.

(xiv) DIVISION 198/1/01: SWEDEN—SALARIES AND ALLOWANCES

Appropriation Act (No. 1) \$51,200: Expenditure \$41,807

209. This item provides for payment of salaries and allowances Australia-based officers in Stockholm. Exhibit 96/35

210. It was explained that when the draft estimates were prepared in Canberra, the Head of Mission's vouched rates and expenditure in respect of servants were overstated, in error, by \$10,000. The error was not discovered and was included in the final figures for the Original Estimates. It was said that this and similar errors had been made by Class 3 or Class 4 officers and that the number of these errors indicates that officers of a higher status would need to be involved in the preparation of the Department's Estimates. At the time of our Inquiry, changes necessary to give effect to this working arrangement were being made. Q.'s 683 to 687

Conclusions

211. Your Committee trusts that appropriate action will be taken by the Department to ensure that clerical errors of this type are eliminated.

(xv) DIVISION 205/2/03: VIET NAM—ADMINISTRATIVE EXPENSES, POSTAGE, TELEGRAMS AND TELEPHONES AND CABLES

Appropriation Act (No. 1) \$105,300, Appropriation Act (No. 3) \$12,800: Expenditure \$105,157

212. This item provides for payment of expenditure incurred for postage, telegrams, telephones and cables in respect to the Post at Viet Nam. Exhibit 96/36

213. The shortfall in expenditure in respect of this item occurred because in July, August and October 1966, and January and April 1967 several accounts for cables, were incorrectly charged to the Department's cable vote (165/2/06) instead of to the cable vote for Viet Nam (205/2/03). The actual amount which was incorrectly costed and which should have been transferred from Item 165/2/06 Q. 744
Q.'s 749 and 754

to Item 205/2/03 at or before 30 June 1967 was \$13,703. The witness admitted that the error had been made in the Canberra Office of the Department and was not discovered until the close of the financial year.

Conclusions

214. Your Committee is disturbed by the nature of the error that occurred in this item and the fact that it was not discovered until the end of the financial year.

(xvi) DIVISION 215/2/02: NEW DELHI—ADMINISTRATIVE EXPENSES— OFFICE REQUISITES AND EQUIPMENT

*Appropriation Act (No. 1) \$5,900, Appropriation Act (No. 3)
\$2,500: Expenditure \$5,360*

Exhibit 96/37 215. This item provides for payment of office requisites, equipment, stationery and printing.

Q.'s 756 and 744 216. The Additional Estimates Appropriation was made to provide for the opening of an office of the High Commission in Bombay. Orders, including one for stationery valued at \$1,500 were placed in April 1967, suppliers were asked to give these orders priority attention and delivery was expected before the end of the financial year. However, neither the goods nor the accounts were received before the end of the financial year. In addition, stationery was ordered from the Government Printer in Canberra, a shredding machine was ordered from Germany and a calculating machine was ordered in Sydney. These supplies were all received in July 1967.

Q. 758
Exhibit 96/37 217. A further shortfall in expenditure of \$500 occurred when a second calculating machine valued at \$300 and ordered in April 1967 and two Olivetti typewriters valued at \$200 and ordered in March 1967 were not received in time for payment to be made during the financial year. The calculating machine was ordered from an Indian distributor who finally admitted that delivery could not be made within the specified time. The machine was then ordered from Geneva, but the account was not received in time for payment before the end of the financial year. It was said that the transaction was handled in Geneva and no information was available in Canberra as to the action taken to have the account rendered before the end of the financial year.

Q. 770 218. When the decision was taken in March 1967 to order the machines it was felt that there was a reasonable likelihood of completion of the transactions before the end of the financial year. The witness claimed that the request for funds in the Additional Estimates was justified because delivery within the financial year had been considered reasonably certain, and failure to apply for additional funds would have resulted in resort to the Treasurer's Advance for a commitment undertaken before the closing date for the Additional Estimates.

Conclusions

219. On the basis of the evidence Your Committee doubts whether the Department was justified in seeking funds in the Additional Estimates to cover all the purchases concerned even though the commitments were undertaken prior to the closing date for the Additional Estimates. To justify the request for funds at that time, the Department would have needed to be reasonably certain that it could obtain delivery of the goods in question and also obtain and process the claims relating to them prior to the close of the financial year.

(xvii) DIVISION 215/2/08: NEW DELHI—ADMINISTRATIVE EXPENSES,
FURNITURE AND FITTINGS

Appropriation Act (No. 1) \$26,000, *Appropriation Act (No. 3)*
\$2,600: *Expenditure* \$25,084

220. This item provides for payment of furniture and fittings in New Delhi.

221. There was a shortfall in expenditure of \$4,506 in respect of this item in 1964-65, from an original Appropriation of \$17,108. This was due to the fact that furniture ordered in Australia and valued at \$4,000 was not delivered during the financial year. There was also a reduction of \$506 in the cost of various other items.

Committee
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222. In 1965-66 a shortfall in expenditure of \$11,873 was incurred from an Original Appropriation of \$21,400. We were informed that the provision of \$21,400 under this item included an amount of \$10,000 for furniture and fittings for the new chancery which was scheduled for completion in March 1966, but which was not completed until December 1966. When the estimate for 1965-66 was formulated it had been expected that the purchase of furniture would be timed in accordance with the scheduled completion date and that the equipment would be delivered before the end of the financial year. The remaining shortfall in expenditure occurred because of a delay in finalising the furniture requirements for a residence in the Embassy compound and through reductions in the actual cost of various items purchased during the year. It was said that it had been subsequently realised that it may have been better to have deferred this appropriation for consideration under the Additional Estimates.

223. With respect to the shortfall in expenditure in 1966-67 upholstering of furniture for the Chancery estimated to cost \$1,000, could not be completed before 30 June because the material was not received from Australia in time to allow the local contractor to complete the work.

Exhibit 96/38

224. An order was placed in Melbourne in December 1966 for upholstering material valued at \$1,000 for the Chancery in New Delhi. At that stage it was expected that delivery would be made in February

Q.'s 782, 784,
785, 787 and
790

1967. However, the order was actually placed by another Department on behalf of the Department of External Affairs and the goods were not actually shipped from Melbourne until March 1967 and arrived in New Delhi in June.

Q. 783

225. Other goods valued at approximately \$1,000 were, for various reasons not received in time for payment to be made during the financial year. A sum of \$385 was allowed for equipment for the official residence in New Delhi, the order for which was placed in February 1967 but delivery and payment were not effected before the end of the financial year. Further difficulties were encountered in respect of the following items: various small orders placed in Australia totalling \$95; an item valued at \$120, the purchase of which was dependent on technical advice and which was subject to some delay; lawn sprinklers valued at \$34 which could not be bought locally by the Post; and two sink units valued at \$395 ordered in Australia and not delivered during the financial year. An amount of \$950 was saved on carpets provided for the new Chancery, as the cost was less than had been anticipated.

Q. 786

Q.'s 790 to 791

226. Although an amount of \$2,600 was obtained in the Additional Estimates the shortfall in expenditure amounted to \$3,516. So when these estimates were formulated it was confidently expected that delivery of the items referred to would be made and payment effected during the financial year. It was conceded, however, that a careful evaluation of the situation in March may have resulted in a call on the Advance to the Treasurer being made in respect of this item, if and when funds were required.

Conclusions

227. Your Committee has noted the history of estimating and expenditure on this item for the three years 1964-65 to 1966-67. In regard to the latter year we agree with the witness that a careful evaluation of the situation on the item in March 1967 may have resulted in a call being made on the Advance to the Treasurer, if and when funds were required rather than funds being sought in the Additional Estimates.

(xviii) DIVISION 216/2/02: MALAYSIA—ADMINISTRATIVE EXPENSES— OFFICE REQUISITES AND EQUIPMENT

*Appropriation Act (No. 1) \$7,700, Appropriation Act (No. 3)
\$1,200; Expenditure \$6,960*

Exhibit 96/39,
Q.'s 796 to 798
and 801

228. This item provides for payment for office requisites and equipment in Kuala Lumpur.

229. A request made for \$1,200 in the Additional Estimates was based on advice received from the Post early in March that further funds would be required for the purchase of additional stationery and publications. Notification of the acceptance of liability by the Department of

the Treasury was received about 20 March but due to a clerical error in the Estimates Sub-section in Canberra, the Post was not informed until 28 April that the additional funds were available. For this reason the orders were not finalised before 31 May 1967 and \$1,940 in expenditure occurred.

230. Due to the nature of the error that occurred we questioned the witness on the administration of records relating to requests by Overseas Posts for additional funds. We were told that such requests are examined by the Department and if it appears to be satisfactory an application is made to the Department of the Treasury for admission of liability pending the Additional Estimates. A record of the application is then filed by the Department in the Post's file for Additional Estimates for the current year and a record is made on the 'admission of liability' card for the Post. Receipt of admission of liability from the Department of the Treasury is noted on the appropriate card and the amount is included in the Additional Estimates. The Post is then advised that funds are available. In this instance, however, the latter procedure was not followed, and it was not until April when advices to Posts of Additional Estimates were being checked by the Estimates sub-section of the Department that the error was discovered.

Conclusions

231. Your Committee is concerned that an error of the type revealed in evidence should have occurred and we trust that appropriate action will be taken to guard against its recurrence. In this case, the error resulted in a shortfall of expenditure and also the Overseas Post concerned could have been deprived of necessary office requisites which it required to discharge its functions adequately.

(xix) DIVISION 228/2/06: GENEVA—ADMINISTRATIVE EXPENSES— RENT AND MAINTENANCE OF OTHER BUILDINGS

*Appropriation Act (No. 1) \$12,900, Appropriation Act (No. 3)
\$2,200: Expenditure \$12,201*

232. This item provides for payment of rent and maintenance of other buildings in Geneva. Exhibit 96/40

233. The Departmental submission stated that the shortfall in expenditure (\$2,899) on this item resulted from an incorrect posting to the appropriation ledger of one month's expenditure. The error was not discovered in time to effect an adjustment prior to the close of the financial year. Exhibit 96/40

234. At the time of our Inquiry the Department was continuing its examination of the item in an effort to locate where and when the posting concerned had occurred. It has been ascertained that actual expenditure should have been in the vicinity of \$15,000 but the Department had not been able to discover where the shortfall had occurred in Q.'s 837 to 847

relation to the actual accounting for expenditure through the Sub-Treasury in Geneva which, during 1966-67 had assumed an increasing responsibility for the European Posts administered by the Department. The witness stated that in order to determine exactly what had happened the Department would need to make a complete analysis of the total vote to ascertain where all expenditures during the year had been charged and that he had not had an opportunity to make such an analysis.

235. On 1 April 1968, the Department advised us that an examination of its records had disclosed that the shortfall in expenditure had arisen from two factors. First, the Overseas Post had overprovided three months rental for a Third Secretary's accommodation and two months rental for a First Secretary's accommodation. Secondly, the Central Office of the Department had incorrectly journalised \$1,891 rental for June 1966 to revenue instead of expenditure.

Conclusions

236. Your Committee notes with some concern not only the nature of the errors which occurred but also the fact that these errors were not discovered until a considerable time after the close of the financial year in which they occurred. The process of locating such errors is costly in terms of administrative effort.

(xx) DIVISION 910/1/04: CAPITAL WORKS—BUILDING, WORKS,
PLANT AND EQUIPMENT—Ireland

Appropriation Act (No. 1) \$14,800, Appropriation Act (No. 3)
\$1,900: Expenditure \$12,394

Exhibit 96/41

237. This item provides for building, works, plant and equipment costs in Ireland.

Exhibit 96/41
and Q.'s 689
to 693

238. The shortfall in expenditure of \$4,306 on this item was due mainly to a clerical error in the recording of expenditure. The funds were spent on the work for which they were provided, but were charged to Division 910/1/05. The error was discovered in Canberra towards the end of the financial year.

Conclusions

239. Your Committee trusts that appropriate action will be taken by the Department to minimise errors of the type disclosed under this item and to ensure that where such errors occur they are detected promptly.

(xxi) DIVISION 910/1/05: CAPITAL WORKS—BUILDING, WORKS,
PLANT AND EQUIPMENT—Laos

Appropriation Act (No. 1) \$11,100: Expenditure \$5,902

Exhibit 96/42

240. This item provides for a diesel generator, replacement fence, fuel tank and an office vehicle. The appropriation included \$7,800 for a

diesel generator, \$700 for the replacement of a tennis court fence, \$700 for an underground diesel fuel tank and \$1,900 for a replacement office vehicle.

241. Although actual expenditure under this item amounted to \$5,198, \$3,353 of this amount arose from an incorrect posting in the appropriation ledger in Canberra. Actual expenditure in relation to the Estimates of \$11,100 therefore amounted to \$2,549.

242. We were informed that because of unstable prices in Vientiane it was difficult to obtain a reliable estimate of the cost of replacement of the tennis court fence. The estimate of \$700 included in the appropriation was based on an assessment made by the building engineer at the United States Embassy. Subsequently, quotations indicated that the cost involved would amount to \$1,775. The Department claimed that it had been exploring the possibility of a more economical approach, but it had not been possible to finalise the matter before the close of the financial year.

Exhibit 96/42
and Q.'s 704
to 705

243. After clarifying technical data with the contractor in Bangkok, a firm order was placed on 24 August 1966, for a diesel generator on the basis that the contractor would supervise its delivery and that this would be effected in six months. The generator which was consigned in six cases, arrived in Bangkok in February 1967. At the time of our Inquiry, however, only one of these cases had arrived in Vientiane. The other cases had reached Nong Khai, the railhead into Vientiane from Bangkok but had not been ferried across the river to Vientiane and delivered by the contractor. It was said that the Thai State Express Transport Organisation holds the monopoly on such traffic and that the delays which occur are inexplicable. We were told that the supplying company had confirmed that if the missing cases were not traced within a few weeks the generator would be replaced either from Bangkok or New York.

Exhibit 96/42
and Q.'s 708
to 715

Conclusions

244. In the case of the tennis court fencing, Your Committee finds that funds were sought prematurely by the Department, particularly as it was recognised that unstable prices in Vientiane made it difficult to formulate reliable estimates. We also believe that, based on its intimate knowledge of local conditions, the office at Laos should have recognised the nature of the difficulties that could arise in regard to the generators which, in any case were not due for delivery under the terms of the contract until February 1967. Accordingly we believe that the financial provision for this equipment should not have been included in the Original Estimates.

General

245. We were informed that the Secretary of the Department of External Affairs has become very concerned at the frequent appearances of officers of the Department before this Committee. The Department has circularised to all of its overseas Posts relevant extracts from

Q.'s 852 and
892

Your Committee's Reports and has invited their attention to the lessons to be drawn from them. In March 1967, the Secretary of the Department wrote to the Head of every Mission and outlined the problems of shortfalls in expenditure and in overexpenditure and indicated the steps which he considered might be taken to reduce the ambit of the problems.

246. We were informed that a particular problem arises from the interchange of officers in the Department between the diplomatic and finance areas. The amount of training such officers receive varies considerably and ranges from considerable practical experience in the Finance Branch over many years to short-term concentrated briefing prior to posting overseas. An inherent problem faced by the Department is that by the nature of its work the Central Office in Canberra does not provide detailed experience in the financial activity that is, in fact, carried out at a Post, e.g. purchasing procedures, preparation of salaries and the activities involved in the certifying of accounts. These situations must be reconstructed for trainees on the basis of papers that come forward from the Posts. A further problem is that the number of officers of the Central Staff who can be made available for training is limited and not all of these officers, who are competent in their respective fields of activity, are equally competent to teach. It was stated that much attention had been given to this problem and a proposal had been made to the Public Service Board that there should be created a pool of training positions into which the Department would recruit officers for the purpose of training them in financial, property, personnel, consular and records procedures and in work involved in the affairs of distressed Australian overseas. The Department proposed to provide this training prior to posting officers abroad. We were informed that the Public Service Board has received this proposal favourably and is exploring such questions as the number of officers involved and whether they should be recruited at different levels or only at the lower levels of the service.

247. Consequent upon clerical shortcomings which have been experienced between the Department in Canberra and its overseas Posts, the Department has instituted, from the commencement of the financial year, 1967-68, a system whereby a monthly financial report is provided by each Post in which firm commitments and actual expenditure are shown against pro rata expenditure, together with a monthly report on funds. The Department in Canberra has also instituted a similar procedure whereby an examination of the results is being related to the information furnished by the Posts in an endeavour to eliminate the late arrival of advices of omissions which have occurred in previous years. In conjunction with that measure, the Department has assigned two additional officers to supervise the control of the votes. It has also consulted the Public Service Board which has indicated its willingness to conduct an Organisation and Methods review of the Department's Finance Section. On 1 April 1968, we were advised that

this review had progressed to the stage where the necessary facts had been established and a draft report is to be prepared as a basis for discussion with departmental officers and for any necessary further action. We were also informed that revised departmental overseas instructions had been issued in December 1967, and that the Department of the Treasury had issued amendments to the Treasury (Overseas Accounts) Directions operative from 1 February 1968. A set of the departmental instructions and a copy of the Treasury amendments were submitted for our examination. The Department of External Affairs expects that these changes will be of considerable assistance to it in its endeavour to secure a better control of expenditure.

248. In view of the evidence received from the Department in respect of the financial year, 1966-67, and previous years, Your Committee would commend the Department for undertaking what appears a positive and far reaching attack on basic problems in the field of financial administration which have clearly operated to the sustained embarrassment of the Department. The effectiveness of these measures should be reflected in closer accuracy in estimating and expenditure in the years ahead.

CHAPTER 8—DEPARTMENT OF HEALTH

(i) DIVISION 914/03: PAYMENTS TO OR FOR THE STATES— TUBERCULOSIS ACT—REIMBURSEMENT OF CAPITAL EXPENDITURE BY STATE GOVERNMENTS

Appropriation Act (No. 2) \$688,000: Expenditure \$498,618

Exhibit 96/78

249. This item provides for the reimbursement to State Governments of expenditure on approved projects for use in the diagnosis, treatment and control of tuberculosis.

Exhibit 96/78
and Q. 2167

250. We were informed that in formulating the estimate for this item the Department maintains a record of each project that is approved by the Minister under the tuberculosis arrangement. This record includes the total amount approved and details of each payment made. Each State is required to submit a schedule setting out all of the capital works involved and the amount which it expects will be claimed.

251. As past experience has shown that the estimates submitted by the State Governments are higher than the ultimate expenditure, the estimates tendered to the Department are studied carefully against approvals given by the Minister for Health and the Department uses whatever experience it can draw on, including visits to the States and inquiries made of them, in an endeavour to formulate realistic estimates.

Exhibit 96/78

252. The estimates submitted by the States for 1966-67 amounted to \$1,015,550 but, following the procedure described above, this figure was reduced by the Department of Health to \$688,000 for inclusion in the Budget.

Exhibit 96/78

253. Details of the estimates submitted by the States, the amounts actually appropriated and reimbursements claimed by the States in 1966-67 are set out below in Table No. 2.

TABLE No. 2: TUBERCULOSIS ACT
ESTIMATED EXPENDITURE: APPROPRIATIONS: REIMBURSEMENT CLAIMS
(1966-67)

States	Estimates submitted by the States	Appropriations	Reimburse- ments claimed by the States
	\$	\$	\$
New South Wales	647,800	415,000	356,061
Victoria	201,975	165,300	109,885
Queensland	89,675	69,600	28,023
South Australia	60,500	20,500	4,649
Western Australia		2,000	..
Tasmania	15,600	15,600	..
Total	1,015,550	688,000	498,618

Source: Department of Health.

254. Although the estimates formulated by the States are usually submitted to the Department on an annual basis, we were informed that claims may be lodged by the States at any time during the financial year. All States are regularly contacted by the Department in an effort to obtain an indication of claims that might be made and the amounts involved. When the Department is aware that a claim is coming forward it requests the State Authority concerned to take early claiming action.

Q.'s 2156
and 2159

255. A claim amounting to \$88,116 was received from New South Wales on 26 June 1967. The witness stated, however, that although persistent efforts were made to obtain this claim it did not arrive in time to be processed prior to the close of the financial year. The persistent efforts referred to included a visit by an officer of the Department to New South Wales involving a conference with the acting accountant of the New South Wales Hospitals Commission and an examination of the State departmental file on the matter. The claim concerned related to St Vincent's Hospital. The circumstances were that a builder had not finalised his accounts with the State Public Works Department when he left the building trade to take up residence in the north of the State. The Public Works Department declined to make a final payment against the contract until it had obtained certain information from the builder. The builder however, was reluctant to accept a figure less than he considered was due to him, yet he refused to give the necessary information to the Public Works Department to enable them to pay him and complete the contract.

Exhibit 96/78
and Q.'s 2159,
2177, 2182 and
2183

256. In regard to the general problem of estimating for this item the Department informed us that it had experienced difficulties in varying degrees for many years. It instanced the fact that whereas the States total estimates for the six financial years ended 30 June 1967 amounted to \$7,920,680, reimbursements paid against these estimates amounted to only \$4,229,028. In these circumstances the Department had made repeated calls on the States, both in correspondence and by personal contact, for more realistic and accurate estimates. During visits to the States and in discussions departmental officers endeavour to gain information on the progress of capital projects to assist estimating. It was stated, however, that as the Department of Health has no control over the rate of expenditure by the States it is extremely difficult to arrive at an accurate estimate of financial requirements. In support of this view the Department tendered copies of correspondence which it had entered into with the Department of Public Health of one of the States relative to the problems experienced in the field of estimating.

Exhibit 96/78
and Q. 2164

Conclusions

257. Your Committee believes that while the expenditure results on this item have been unsatisfactory in relation to the corresponding estimates over a period of several years, the prime cause of difficulty stems from problems arising within the administrations of the several States. Your Committee is satisfied that the Department has made strenuous and persistent efforts to obtain from the States a more

realistic assessment of their financial needs in regard to this item and we would suggest that, this course having evidently failed, it might not be inappropriate for the difficulties concerned to be the subject of discussion at the Ministerial level. Your Committee is aware of the reluctance on the part of at least some of the States to adopt the use of Additional Estimates within their own budgetary structures and on this we would not feel it appropriate to comment. However, we note that it is normal practice for the States to submit a single figure of their estimated financial requirements to the Department of Health for inclusion in the Commonwealth Budget each year. In this regard we believe that a useful purpose might be served if the State Authorities concerned were to be informed of the availability of the Additional Estimates device within the Commonwealth financial structure and were requested to formulate their initial requests for funds each year in the knowledge that the Department of Health has access to this facility.

(ii) DIVISION 914/06—PAYMENTS TO OR FOR THE STATES—
INCINERATORS AND ASSOCIATED WORKS IN RELATION TO DISPOSAL OF
OVERSEAS SHIPS' GARBAGE

Appropriation Act (No. 2) \$100,000: Expenditure \$29,428

Exhibit 96/79

258. This item provides for the full cost of the construction of incinerators for the disposal of overseas ships' garbage at selected sea ports, the cost of ancillary structures including buildings, foundations, and fencing and the costs of access road excluding land costs.

Q. 2190

259. We were informed that the disposal of ships' garbage has always been controlled under the quarantine legislation. Over the years there have been several means of disposal employed, including dumping at sea beyond tidal waters; its use as land fill in situations where it is not accessible to stock and where it can be covered quickly; burying or burning on the face of controlled tips and by incinerators installed at ports.

Exhibit 96/79

260. The evidence stated that the proper disposal of refuse from overseas ships calling at Australian ports has been the subject of discussion by the Australian Agricultural Council and its associated bodies for many years and it has been recognised that such refuse is one of the most dangerous avenues by which exotic diseases could accidentally enter Australia. Commonwealth and State Authorities have agreed that the most satisfactory and safest method of disposal of this garbage is by burning in properly constructed incinerators situated within or adjacent to port areas and wharves.

Q.'s 2190 to
2192

261. We were informed that in 1965 the Commonwealth Government approached all States, except Western Australia, with an offer to reimburse them on a dollar for dollar basis for the provision of suitable incinerators at ports at which overseas vessels called. This offer related to the cost of the provision and installation of incinerators but not to the cost of acquiring the land, constructing access roads, incidental buildings and operating costs.

262. Victoria found the offer to be wholly unacceptable on the basis that as the disposal of overseas ships' garbage is a Commonwealth quarantine function the Commonwealth should meet the whole of the cost if it desired an improvement to be made in the practice operating in Victoria, i.e. burying or burning on the face of controlled tips. Tasmania accepted the offer immediately, South Australia considered that the offer should be increased from 50 per cent to possibly 75 per cent and Queensland sought more financial assistance than the 50 per cent offered. New South Wales raised the question of the cost of access roads.

263. On 30 May 1966, the Commonwealth made a new offer to meet the full costs of the incinerators and ancillary structures and half the costs of access roads. The Department stated that it expected this more generous offer to be acceptable to some of the States on the basis of their reactions to the offer made in 1965, and in view of the urgency of the matter it also expected that prompt action would be taken by these States to commence construction of the incinerators.

264. However, Victoria refused this offer, whilst Queensland requested its extension to include the replacement of incinerators and acceptance by the Commonwealth of a proportion of the costs of operating them. As these proposals exceeded the terms of the offer that had been made discussions were being held at the time of our Inquiry to resolve the issue. South Australia and New South Wales, both of which had accepted the Commonwealth offer at the time of our Inquiry, required many months in which to assess their requirements and finalise internal administrative arrangements. Consequently no work was performed on the projects in these States in 1966-67. In the case of Tasmania, which had accepted the offer without delay, difficulty had been experienced in finalising some related problems and as a result only four units were provided in that State in 1966-67.

Exhibit 96/79
and Q's 2195
and 2196

265. No offer had been made to Western Australia as the method of disposal in that State by towing out to sea and dumping had been regarded as satisfactory because of strong off-shore currents. However, as the question has been raised of whether some of the garbage is being washed ashore, the Western Australian authorities are studying the effect of currents in the north as well as the south of the State.

Exhibit 96/79
and Q. 2202

Conclusions

266. In Your Committee's view the evidence shows that the Department was not justified in making provision in the Original Estimates of \$100,000 on the basis of reactions by the States concerned to the initial offer made in 1965. Indeed the evidence shows clearly that the second offer, which only some of the States accepted, was not made to the States until 30 May, about one month after the closing date for the Original Estimates for that year. In the circumstances we are disturbed to note that the initial estimate provided by the Department for the item in April 1966 was even higher than the figure of \$100,000 which was finally included in the Appropriation Bill.

Q. 2205

CHAPTER 9—DEPARTMENT OF HOUSING

DIVISION 260/1/01: ADMINISTRATIVE—SALARIES AND PAYMENTS IN THE NATURE OF SALARY—SALARIES AND ALLOWANCES

Appropriation Act (No. 1) \$3,241,800: Expenditure \$3,221,491

Exhibit 96/43

267. This item provides for salary payments to permanent officers appointed to or occupying positions in the Department's approved establishment, including increment, higher duty allowances, furlough payments and payments in lieu of furlough, marriage allowances, etc., less an amount estimated to remain unexpended in respect of unfilled positions.

Q. 900

268. The procedure involved in the preparation of the estimate for this vote is that a request is made by the Head Office of the Department to Branch Offices for detailed estimates in which provision has been made for the approved establishment together with other items such as higher duty allowance or payment in lieu of furlough. These estimates are checked by the Head Office of the Department, and adjustments are made if it is thought necessary, based on the experience of previous years. In this respect, it was noted when the 1966-67 Estimates were being checked that while additional funds had been required for this vote in the previous year underexpenditure had occurred in respect of the vote for temporary staff.

269. The explanation for the variation between total funds available and expenditure in respect of this item in 1966-67 was said to be due to two factors. First, the amount remaining unexpended in respect of permanent position to be filled was greater than the amount allowed in the Original Estimates due to permanent appointment to vacant positions falling short of expectations, particularly in the early portion of the year. Although the total number of permanent officers employed rose by 47 during the year, the actual total employment figures fluctuated between 934 on 31 October 1966 and 993 at the end of the year. Of the total increase of 47 for the year, 28 were appointed during May and June 1967. Because of these factors, it had been necessary to seek the provision of additional funds under the temporary salaries vote.

270. The second reason for the shortfall was said to be due to delays that occurred in the office of the Public Service Board in issuing certificates of permanent appointment to temporary employees in the Victorian Branch of the Department. There were up to 30 employees at one time waiting for the issue of certificates of permanent appointment and it had been estimated that this would account for at least \$10,000 of the shortfall in the permanent salaries vote.

Q. 901

271. Mr Vanthoff, the Public Service Board Observer, indicated that the Victorian Office is probably a little unusual when compared with

other States in regard to appointments work. He said that recruitment of clerical officers to the third division of the Commonwealth Service in Victoria is difficult and that in order to obtain staff, applicants who would appear to have prospects of attaining the appropriate qualifications are recruited on a temporary basis in October or November with examination results being unavailable until the end of January. Because of this, he said that it was not possible for the Public Service Board to take the necessary action for permanent appointments in some instances for 2 or 3 months. He indicated that this system of recruitment is superior to that of waiting until permanent appointment could be offered to applicants.

272. The witness for the Department of Housing informed us that allowance had been made in the estimates of expenditure for delays in permanent appointment. He said that it had been estimated by the Victorian Branch that the delay for that office would be in the vicinity of two months. In fact, however, the delay in some cases was 4 to 5 months. Q. 906

273. The Treasury observer, Mr Cowie, noted that while there was a shortfall of \$20,309 in this vote, it only represented some .63 per cent of total expenditure and that in his opinion this might be fairly judged as being a fairly good result. He expressed the view that in these circumstances, it would be a little difficult to say that there would be an advantage in understating the estimates and making greater use of Additional Estimates. He added that if at the formulation of the main estimates a result of less than 1 per cent of inaccuracy is envisaged, this would seem to be an almost unanswerable case for the inclusion of the whole appropriation in the Original Estimates. Mr Cowie also noted that in a Salaries vote, the Department of the Treasury would normally expect a Department to include an accurate estimate of its total requirements for the year in the Appropriation Bill (No. 1) and that it would be very difficult to see how any other system could be employed.

274. With respect to the fact that the Additional Estimates had been a source of funds for this vote in the two previous financial years, Mr Cowie noted that a shortfall had occurred in both years. He also made the observation that estimates for permanent salaries are framed on the basis of current rates of salary and approved establishment and that the difficulty for the Department of Housing as he understood it, is the transfer between Items 01 and 02, the votes for permanent and temporary staffs. He noted that this balancing is very difficult to estimate because it is dependent not on the time of recruitment of staff, but on the time of transfer of staff from temporary to permanent status, and that because of the clerical processes involved in this procedure, in the offices of the Public Service Inspectors, the time involved is difficult to predict. It was said that consideration is currently being given to the problem of the relationship between Items 01 and 02 in an examination of the salary schedule being undertaken by the Department of the Treasury. Q. 910

Conclusions

275. Your Committee accepts the Department's explanation. It trusts that an early satisfactory solution will be found to the problems of the relationship between the permanent and temporary staff items which are now under consideration by the Department of the Treasury in connection with its examination of the salary schedule.

CHAPTER 10—DEPARTMENT OF THE INTERIOR

(i) DIVISION 147/02: METEOROLOGICAL SERVICES—PROPORTION OF ADMINISTRATIVE EXPENSES PROVIDED UNDER DEPARTMENT OF THE INTERIOR

Appropriation Act (No. 1) \$1,285,000: Expenditure \$1,283,313

276. Division 147, which comprises two sub-divisions 01 and 02, is a Division of the Department of Civil Aviation under the control of the Department of the Interior. It provides for a proportion of the salaries and administrative expenses of the Commonwealth Bureau of Meteorology to be charged against the Department of Civil Aviation for services which it received from the Bureau. These services, which are in accordance with specifications laid down by the Director-General of Civil Aviation, include the provision of climatological and meteorological information and weather forecasts. The recovery of salaries that have been provided is made under Item 147/01. The recovery of administrative expenses is made under Item 147/02 and is offset against total administrative expenses of the Bureau of Meteorology.

Exhibit 96/44
and Q.'s 932,
935 and 936

277. It was stated that there is a formal agreement between the Bureau of Meteorology and the Department of Civil Aviation relating to the recovery of these costs. It was claimed that because of the nature of meteorological services, it is difficult to assign the correct proportion of the Bureau's overall costs against one type of service provided to the Department of Civil Aviation and for this reason the Bureau and the Department have made attempts over the past twenty years to assign reasonable proportions of these costs. Over the past eight years it has been decided in accordance with the best judgment available that 28 per cent of the Bureau's operating costs is a reasonable proportion to charge for that portion of the Bureau's services which is provided specifically for the Department of Civil Aviation. The general Sub-Treasury procedure is that expenditure incurred on behalf of the Bureau is charged initially against Division 319 and a transfer account or journal entry is processed during the month or at the end of the month to allocate to Division 147 the 28 per cent chargeable to that Division.

Q.'s 932, 935
and 942

278. We were informed that the Bureau maintains a pro rata record of expenditure for every item included in Division 319/2 and that progress in respect of commitments and expenditure is continuously reviewed throughout the year. For such purposes, the Bureau has dissected the 11 separate items of expenditure under that Division into 66 sub-items and further into 168 sub-sub items. Expenditure is recorded for control purposes at sub-sub item level in a general ledger maintained by the Bureau and the expenditure so recorded is subject to monthly analysis. A monthly report for management is prepared and includes comparison and evaluation of expenditure to date with estimates, analysis of trends, and estimation of future expenditure. Actual

Q.'s 946, 947
and Committee
File 1967/5

expenditure is reconciled with the pro rata rate after consideration is given to pertinent factors affecting that rate.

Q.'s 946, 947
and Committee
File 1967/5

279. It was claimed that when the Additional Estimates are formulated for Division 319/2 a realistic review is made of the amount expected to be required for additional expenditure. Estimated under-expenditure within individual sub-sub items of each of the eleven items involved is offset within the respective item to arrive at the net requirement for additional funds for each separate item. Treasury procedures, however, preclude the transfer of funds between items within the Sub-division.

Exhibit 96/44
and Q.'s 941,
946, 965 and
969

280. In seeking Additional Estimates under Division 319/2, each of the eleven items within that Division is treated separately and the formula for recovery of the proportion from the Department of Civil Aviation is applied to each item. This increases the total contribution from that Department. Although the additional funds obtained for a particular single item within Division 319/2 may be fully expended, and the Department of Civil Aviation proportional contribution in respect of such an item is recovered under Division 147/02, the overall appropriation under Division 319/2 may be unexpended as a consequence of under-expenditure in other items within the Division. Thus, it was explained, the total amount recovered from Item 147/02 could be less than that provided in the Original Appropriation.

Exhibit 96/44
and Q.'s 948
to 951

281. We were informed that a further factor contributing to under-expenditure in 1966-67 arose from a failure at the Commonwealth Sub-Treasury in New York to recover an amount of \$3,461 from Division 147/02 in respect of expenditure incurred in the United States of America. This error was discovered at the close of the financial year when final figures were presented from the overseas Posts.

282. We were informed by the witness that in order to overcome similar occurrences the Bureau had requested early in July 1967, that progressive totals be given on a monthly basis throughout the year so that expenditure overseas can be reconciled in the Bureau of Meteorology. Although accounting difficulties had prevented this information from being supplied on a monthly basis previously, the Department of the Treasury had advised that the expenditure recorded in overseas posts would be available as required.

Q. 948 and
Committee
File 1967/5

283. The Treasury Observer, Mr Balfour, informed us that when this error had been noted by his Department in its examination of the Department of the Interior's submission to this Committee, an explanation had been sought from the Sub-Treasury in New York.

284. We were advised subsequently by the Department of the Treasury that, from discussions with officers of the Bureau and advice from the Sub-Treasury, New York, it had ascertained that, in so far as the Sub-Treasury was concerned, the practice of initiating the transfer of the accounts in question had commenced in 1966-67. However, although the procedure was of recent origin it was not complex. The Treasury indicated that an examination of the correspondence which passed

between the Sub-Treasury, New York and the Bureau of Meteorology showed that there was some misunderstanding at the Sub-Treasury as to what was required at the Bureau on an interpretation of vouchers and records received from the Sub-Treasury. As a result no entries had been passed, or requested to be passed, in respect of North America in 1966-67. The Treasury advised further that because of this experience, the Bureau issued on 26 July 1967 detailed instructions for 1967-68 to the Sub-Treasury, New York, a copy of which was tendered to us. The Treasury expects that these instructions will ensure that, in the future, the necessary entries will be processed.

Conclusions

285. Your Committee notes that under the present arrangements which for many years have involved the recovery by the Bureau of Meteorology of 28 per cent of its administrative expenses from the Department of Civil Aviation, the recovery Item 147/02 has been over-provided with funds in at least three successive years 1964-65 to 1966-67 inclusive. In each of these years, funds have been provided for the item in both the Original and Additional Estimates and in two years, 1965-66 and 1966-67, the item has had funds unexpended to an extent greater than these additional provisions. Notwithstanding the care taken by the Bureau of Meteorology in the formulation and revision of estimates under Division 319/2, it is clear to Your Committee that the method of allocating additional funds to Division 147/02 from the Additional Estimates requires review. On the basis of the evidence taken, we would not query the proposition that an amount equal to 28 per cent of the Original Appropriation for the former Division, which includes appropriations for each of its eleven items, should be included in the latter Division. We do not agree, however, that an amount equal to 28 per cent of the Additional Estimates sought for some of the eleven items in the former Division should be provided for the latter. The application of this formula does not allow for the obvious fact that some items in Division 319/2 may experience shortfalls in expenditure and if such shortfalls occur they will result in under-expenditure in Division 147/02. In these circumstances the application of a formula is a poor substitute for administrative judgment. Although Your Committee agrees that funds available under one item should not be transferable to another item without due Parliamentary process, we believe that a sensible assessment should be made of expected expenditure under the whole of the former Division in determining what amount, if any, should be provided for the latter in the Additional Estimates.

286. In regard to the under-expenditure of \$3,461 which occurred in North America, Your Committee believes that in entering into its arrangements with the Sub-Treasury, New York, the Bureau of Meteorology had a clear responsibility to ensure that adequate instructions were given to the Sub-Treasury prior to the implementation of the arrangements. The Bureau should also have ensured that it obtained

a proper understanding of the vouchers and records that came forward from the Sub-Treasury. Failure to achieve proper communication which gives rise to misunderstandings of this type can have serious consequences and can prove embarrassing to the departments concerned.

(ii) DIVISION 319/2/06: COMMONWEALTH BUREAU OF METEOROLOGY
ADMINISTRATIVE EXPENSES—INSTRUMENTS AND APPARATUS

Appropriation Act (No. 1) \$700,000: Expenditure \$673,492

Exhibit 96/45

287. This item provides for the purchase of consumable instruments and apparatus and spares for use mainly at Meteorological Field Stations throughout Australia and the adjacent Territories. These stations obtain the basic meteorological data used in the preparation of forecasts, warnings, weather bulletins and other meteorological services. Consumable instruments and apparatus purchased under this item include upper air recording apparatus (10,000 to 120,000 ft) such as radiosondes, batteries, targets, parachutes, balloons, commercial hydrogen and gas generation chemicals; surface observation apparatus such as thermometers, rain gauges and measures, and stream gauges, as well as spares, replacement parts and general maintenance of electronic equipment and instruments.

Exhibit 96/45

288. Orders for components are placed throughout Australia, Britain and the United States of America. The bulk of purchasing, including all overseas orders, is processed by the Central Office of the Department in Melbourne and the remainder by the State and Northern Territory Regional Offices. By formal agreement a proportion of all expenditure is recovered from the Department of Civil Aviation and the Department of Air for meteorological services. This recovery is provided from Division 147/02 and Division 753 and is shown in the Estimates as Division 319/2, Items 14 and 15 respectively.

289. The under-expenditure of \$26,508 on this item in 1966-67 comprised \$17,823 in respect of accounting errors in transactions in London and \$8,685 arising from delay in the delivery of items.

290. In regard to the shortfall of \$17,823 we were informed that actual expenditure in London amounted to \$54,008 which should have been charged in total against the Item 319/2/06 and the appropriate proportion (\$17,823) recovered from the Department of Civil Aviation and the Department of Air under Items 147/02 and 753. However, a transfer account prepared in London incorrectly credited Division 319/2/06 instead of 319/2/14 and 15 and as a result only \$36,185 was brought to account in the Treasury ledgers. This had the effect of increasing the under-expenditure from \$8,685 to \$26,509. The net total of expenditure under Division 319/2 is correct, however, as this error was compensated for by an equivalent shortfall in recovery.

291. It was stated that the correct expenditure at the High Commissioner's Office was brought to account in the Bureau of Meteorology from the United Kingdom vouchers and the statement supporting the

payment, but it was noticed until the end of the financial year when final figures were furnished by the Department of the Treasury that the High Commissioner's Office had incorrectly journalised the transfers in their accounts. The witness admitted that the Bureau should have detected this error. In order to ensure that similar accounting errors do not occur in future, it is proposed to obtain monthly up-dated total expenditure figures brought to account in the High Commissioner's Office which can be readily matched against the Bureau of Meteorology expenditure records. We were informed that such a check has not been made in the past because progressive monthly figures have not been available. However, it was expected that this information would be supplied from new accounting equipment which, at the time of our Inquiry, was being installed in the London office.

Exhibit 96/45
and Q.'s 974
to 979

292. In regard to the delay in delivery of items which resulted in a shortfall in expenditure of \$8,685, the amount of shortfall in regional offices ranged between \$2 and \$295. The exception occurred in the New South Wales Office where \$3,049 remained unspent because deliveries of rain gauges and measures could not be accepted due to the manufacture not being in accordance with specifications. In the case of this equipment the failure was detected in a pilot delivery and the rejection of this delayed the fulfilling of the order.

Exhibit 96/45
and Q. 985

293. The balance of the shortfall, \$4,865 comprised \$1,235 in respect of orders placed locally, \$2,992 in respect of orders placed in Britain and \$638 for orders placed in the United States of America. This shortfall is in respect of orders and spares and other replacement items required on a continuing basis for which delivery was not made by 30 June 1967, as well as for components delivered late in the year but rejected because of poor quality or non-compliance with Bureau.

Exhibit 96/45

Conclusions

294. Whilst Your Committee recognises that the non-availability of progressive monthly figures from the Sub-Treasury, London, would have contributed to the problems of reconciliation within the Bureau, it is clear, on the admission of the witness, that the error of \$17,823 in posting in London should have been detected by the Bureau during the course of the financial year. The failure to detect errors which could be of considerable magnitude, and in particular the failure to detect them until after the close of the relevant financial year when their correction is no longer possible, is a matter of concern to Your Committee.

295. In regard to the delay that occurred in the delivery of items which are obtained from both local and overseas sources and which are required to be manufactured to specifications, Your Committee is of the opinion that a sensible degree of caution should be exercised regarding the amount to be sought in the Original Estimates.

(iii) DIVISION 925/1/02: CAPITAL WORKS AND SERVICES—ACQUISITION OF SITES AND BUILDINGS—DEPARTMENT OF CIVIL AVIATION

Appropriation Act (No. 2) \$370,000: Expenditure \$292,039

Exhibit 96/46,
and 96/47

296. This item provides for the acquisition of land and buildings for the Department of Civil Aviation. The main reasons for under-expenditure under this item are shown in Table No. 3.

TABLE No. 3: DEPARTMENT OF THE INTERIOR
ITEM 925/1/02: SHORTFALL IN EXPENDITURE
(1966-67)

Location	Projects	Amount
		\$'000
Cairns	Three residences	31
Coolangatta	Extensions to airport	13
Eagle Farm	Extensions to airport	12
Coolangatta	One residence	10
Bundaberg	One residence	10
	Total	76

Source: Department of the Interior.

Q. 1073

297. We were informed that the procedure involved in the formulation of estimates for this item provides that each Department submits its acquisition needs to the Department of the Treasury before 31 January each year. These proposals are then referred to and reported on by the Department of the Interior. Proposals are submitted to State Branches of the Department and are reported on by the Chief Property Officer, whose report on each proposal includes an estimate of cash requirements and financial commitments for the coming year. Reports from Chief Property Officers are received in the Central Office of the Department where budget discussions are held and a draft acquisition programme is prepared by the Department and sponsoring Departments. The Department of the Interior advises the Department of the Treasury of the cash requirement on each acquisition proposal for the purpose of cash estimates.

(a) Cairns—Residences

Exhibit 96/47
and Q's 1074
to 1077

298. When the estimates were formulated, it was expected that three houses could be purchased in Cairns in the financial year 1966-67. Early in the year five well-known real estate agents were asked for details of available houses. In October 1966, the District Officer and a representative of the Department of Civil Aviation visited Cairns and inspected four houses, none of which were suitable. In February 1967, the District Officer and a representative of the Department of Civil Aviation again visited Cairns and houses under construction were inspected. Although these were suitable they were not available for purchase.

299. On 24 April 1967, a further joint visit was made and three houses under construction and for sale at \$11,014 each were selected for acquisition. Options were secured on these houses and a Commonwealth

taxation valuer, in Cairns at the time, inspected and reported favourably on them. Ministerial approval for the purchase of these houses was obtained on 24 May 1967, and Executive Council approval was given on 31 May. However, because of constant cyclonic conditions in the area and floods, it was not possible for the contractor to complete the houses by the end of June. Settlement for the purchase of these houses was made in August 1967.

(b) Coolangatta—Extensions to Airport

300. An amount of \$13,000 was provided for the acquisition of additional land at Coolangatta to permit extensions to the airport. The land in question is owned by the Gold Coast City Council and has been occupied for some time by the Commonwealth with the approval of the Council. The proposal involves an exchange of nearby Commonwealth-owned land. Completion of the acquisition, however, has been delayed pending finalisation of negotiations between the Queensland Main Roads Department and the Local Authority regarding the route of a proposed new main by-pass road. It was said that the final location of this road could effect the area of Commonwealth land to be exchanged for Council land and although at the time of our Inquiry many discussions had been held with State and Local Authorities, final plans had not been completed. It had been expected that the plans for the location of the by-pass road would have been finalised to enable the acquisition to be completed in 1966-67.

Exhibit 96/46
and Q.1077

Exhibit 96/46
and Q. 1077

301. In regard to this matter we were informed that the problems involved in the exchange of land for the extension at the airport are very complex. Originally it was regarded simply as a problem of acquiring vacant land from the Gold Coast Council. However, the Council indicated that it was not interested in selling its land but would exchange it for an equivalent area of land on the southern end of the airport runway. The Department of the Interior was satisfied with this proposal, having agreed with the Council that the land would be exchanged on a value basis. The Department of Main Road then produced a complex plan for an interstate highway which had been planned to run through and adjacent to land owned by the Department of the Interior. The first proposal submitted by the Department of Main Roads did not meet with the approval of the Department of Civil Aviation or the Gold Coast Council. It was claimed that each time a plan was put forward and found to be acceptable to the Department of the Interior, it met with the disapproval of some other authority and that because of this, planning of the highway by the Department of Main Roads had, at the time of our Inquiry, not been resolved. It was claimed that several plans had been submitted as a final plan to the Department of the Interior, but that each has subsequently been amended. The Department was said to have been aware on 30 November 1966 of the delays involved in this project.

Q. 1077

Q. 1082

(c) Eagle Farm—Acquisition of Additional Land for Airport Extensions

302. This proposal originally envisaged the acquisition of approximately 5 acres of land owned by Humes Ltd and the disposal of about 2½ acres of Commonwealth land to the Company. Although both parcels of land were valued by the Taxation Department at \$2,000 per acre, Humes Ltd placed a value of \$30,000 per acre on its land and was only prepared to negotiate on the basis of no loss of area.

303. On 3 February 1967, the Department of Civil Aviation advised that it could not agree to a reduction in the area for acquisition, nor to an increase in the area for disposal. This information was conveyed to Humes Ltd in discussions held on 21 February 1967. It was suggested that the Commonwealth should make available another area of approximately 3½ acres in addition to the 2½ acres originally proposed for exchange. The Department of Civil Aviation was advised of this proposal on 9 March 1967 and on 2 June 1967 it advised that the proposal was unacceptable. An alternative proposal was under consideration at the time of our Inquiry. These protracted negotiations, which it was claimed could not have been foreseen, resulted in an under-expenditure of \$12,000.

(d) Coolangatta—Acquisition of Residence

304. It was said that the Department of the Interior was in contact, by telephone, with the Department of Civil Aviation regarding the acquisition of a residence in Coolangatta early in the financial year and that it had been agreed at that time that investigations by both departments should continue in respect of the availability of acceptable houses in the area.

305. Between July 1966 and February 1967, a number of agents in the Coolangatta area suggested likely purchases to the Department of Civil Aviation, but these were not acceptable, mainly because the selling price was too high. It was suggested by agents that the end of January, which is the end of the Summer holiday period in the area would be the best time to purchase at the determined price.

306. On 10 February 1967, the Department of the Interior was advised by the Department of Civil Aviation that a likely purchase had been located and on 8 March 1967, this house and some twenty others in the area were inspected by representatives of the Department of the Interior and the Department of Civil Aviation. However, all of these houses were rejected, mostly on the grounds of inferior workmanship or poor design. It was said that it is the firm policy of the Department not to purchase dwellings which are likely to involve costly maintenance.

307. The Department was advised by agents that a house under construction at Palm Beach appeared to meet all requirements. This house was inspected together with representatives of the Department of Civil Aviation prior to its completion, and an option to purchase at \$9,900 was obtained. On 12 May 1967, a taxation valuation was requested

and was received on 8 June 1967. Ministerial approval to the acquisition was given on 13 June 1967, and subsequent to this the Deputy Crown Solicitor was instructed to take preliminary steps towards settlement of the purchase. Executive Council approval was given on 30 June 1967 and settlement was effected on 17 July 1967.

(e) Bundaberg—Acquisition of Residence

308. We were informed that when inspection for the acquisition of a house at Maryborough was being arranged in September 1966, it was suggested to the Department of Civil Aviation that houses at Bundaberg be investigated concurrently. At that time, advice received from the Department of Civil Aviation indicated that it had been proposed to substitute the Bundaberg house for an additional residence at Townsville which was considered to be more urgent. It was claimed that following verbal requests over a period, the Department of Civil Aviation was formally asked on 3 April 1967, to clarify its intentions but a reply was not received and an amount of \$10,000 remained uncommitted in 1966-67. We were informed that at the time of our Inquiry, a reply to this letter had not been received. On 25 August 1967, a further request was made to the Department of Civil Aviation for information in respect of this project. Exhibit 96/46
Q. 1086

309. The witness for the Department of Civil Aviation acknowledged that a formal reply had not been made to the letter written by the Department of the Interior on 3 April 1967. He indicated, however, that there had been oral communication at the regional level. While it was admitted that under-expenditure should not have occurred in this instance, it was said that when the original requirement for a house for a married man lapsed because of staff changes, it was considered to be undesirable to purchase a house that could have remained unoccupied for some time. Q. 1087

310. In the case of this item the Department of the Interior found it necessary on 20 August 1967, to amend its submission in respect of its initial explanations relating to the three residences at Cairns and the acquisition of a residence at Coolangatta (Palm Beach), Queensland. The need for these changes arose from discussions held between the two Departments concerned subsequent to the tendering of the original submissions. In particular, the change made in respect of the Cairns project arose from the discovery that a departmental file had been overlooked in the formulation of the original submission. Committee
File 1967/5

Conclusions

311. Your Committee notes that in this case the draft acquisition programme is prepared by the Department of the Treasury in consultation with the Department of the Interior and the sponsoring or client departments, in this case the Department of Civil Aviation. However, it is the Department of the Interior which is responsible for determining

the cash requirement for the purposes of the Estimates for each acquisition proposal. In the present case it appears to Your Committee, from the evidence tendered, that the projects relating to the purchase of residences at Cairns and Coolangatta, the extensions to the airport at Coolangatta and the acquisition of additional land at Eagle Farm were so far from settled in their detail when the Original Estimates were formulated that financial provision for them could well have been carried forward for reconsideration in connection with the Additional Estimates. Whilst this appears to be equally true of the proposed acquisition of a residence at Bundaberg, this acquisition reflects also a failure on the part of the client department to keep the Department of the Interior informed of its needs and changes in these needs arising from altered circumstances. Your Committee cannot emphasize too strongly the unsatisfactory nature of such a state of affairs.

312. We would also draw attention to the evident need for departments preparing submissions for this Committee to consult with their client departments in the preparation of such submissions and to ensure that these documents are, in any case, based on all of the relevant information in the possession of the Departments concerned.

(iv) DIVISION 925/1/06: ACQUISITION OF SITES AND BUILDINGS—
DEPARTMENT OF HEALTH

Appropriation Act (No. 2) \$12,000: Expenditure Nil

313. This item provides for the acquisition of sites and buildings for the Department of Health.

314. The only item on the 1966-67 acquisition programme under this division was the acquisition of a residence at Port Hedland, Western Australia, for the Quarantine Inspector, Department of Health at an estimated cost of \$17,000. In accordance with the usual practice, the acquisition of this site and construction of a residence was arranged through the State Housing Commission of Western Australia. However, on the basis of an understanding with the State Housing Commission and the Department of Lands that sites would be provided for houses in that area, the Department requested the inclusion of \$12,000 in the Original Estimates.

315. We were informed that on 27 June 1966, the State Housing Commission advised the Department of the Interior that a block of land could be made available at Port Hedland. On 19 September 1966, following negotiations with the Commission in regard to the suitability of the site to be made available, the Commission was advised of the acceptance of the block allocated, and asked to proceed with the calling of tenders for the construction of the residence.

316. On 25 October 1966, details of tenders received were forwarded by the Commission to the Chief Property Office, Department of the Interior, Western Australia, together with a recommendation which showed the need for expenditure of \$19,700. On 1 November 1966,

Exhibit 96/48

Q. 1102

Exhibit 96/48
and Q.'s 1111
to 1119

the Housing Commission was informed that the recommended tender would be acceptable. On 20 January 1967, the Department of Health was asked to obtain additional funds amounting to \$2,700 to cover the revised cost estimate. A request from the Department of Health, dated 15 March 1967, for additional funds for the Port Hedland house had reached the Department of the Treasury on 16 March and that a written Treasury approval was dispatched to that Department on 17 March 1967. On 4 July 1967, the Housing Commission advised that the project was 82 per cent completed. Q. 1109

317. In regard to this matter we were informed that the Department of the Interior has a rather unusual arrangement with the Housing Commission of Western Australia in that houses are built for the Commonwealth Government under acquisition programmes. This arrangement has the approval of the Department of the Treasury and the Department of Works. It was claimed that the Department of the Interior is in constant liaison with the Housing Commission through monthly reports which are made by the Commission to the Department on each of its acquisition programmes. The residence at Port Hedland was one of a large number of houses built for the Department in the 1966-67 programme. Progress payments are made to the State Housing Commission when claims are received following payments made by the Commission to the contractors. Q. 1102

318. The evidence showed that work on the projects did not commence until March or April 1967 because of weather conditions and problems of the availability of materials and labour. It was claimed that the Department had asked the Housing Commission for progress claims and had been informed that claims had not been received from the contractor. However, it had been found subsequently that there had been claims in the Commission's office which had not been sent forward to the Department of the Interior for settlement. At the time of our Inquiry, \$13,000 had been expended against this item and the house had been completed and occupied by the Department. Q. 1103
Q. 1105
Q. 1107

Conclusions

319. Your Committee has strong doubts as to whether the Department was justified in seeking \$12,000 in the Original Estimates for this item on the basis of a general understanding with the appropriate Western Australian authorities that land for the project would be made available. Port Hedland is located in the North-West of the State, i.e. in the area north of Geraldton which, for some time, has experienced pressure on its building resources due to development in the area. Mention was made earlier of this problem in connection with Item 140/1/01 administered by the Department of Civil Aviation. It also appears from the evidence that whilst the Department of Health was requested on 20 January 1967 to obtain a further \$2,700 for the project, action was not taken by that Department until 15 March 1967, a delay approximating two months.

320. Your Committee also notes with some concern that in spite of formal liaison arrangements between the State Housing Commission and the Department of the Interior in respect of projects being undertaken for that Department, claims were evidently available in the Commission's office but were not transmitted to the Department even although requests were made to the Commission that any such claims should be brought forward for payment before the close of the financial year. Whilst the reasons for this delay were not available in evidence, we believe that the Department of the Interior should advise the Housing Commission and indeed other organisations and authorities which undertake work on its behalf that it has a clear responsibility to obtain claims for payment in the financial year for which funds have been provided and it should seek the earnest co-operation of such organisations and authorities to enable this to be achieved.

CHAPTER 11—DEPARTMENT OF LABOUR AND NATIONAL SERVICE

DIVISION 800/2/02: ADMINISTRATION OF THE NATIONAL SERVICE ACT ADMINISTRATIVE EXPENSES—OFFICE REQUISITES, PRINTING, STATIONERY AND EQUIPMENT

Appropriation Act (No. 1) \$100,000: Expenditure \$58,489

321. This item provides funds for the purchase of stationery and office requisites, for the printing of forms and the acquisition of equipment required for the administration of the National Service Act. Amounts involved in the shortfall in expenditure under this item have been summarised in Table No. 4. Exhibit 96/49

TABLE No. 4: DEPARTMENT OF LABOUR AND NATIONAL SERVICE

DIVISION 800/2/02: SHORTFALL IN EXPENDITURE
(1966-67)

Exhibit 96/49

	Amount	Total
	\$	\$
Shortfall—		
A.D.P. equipment	37,900	
Magnetic and paper tape	6,300	
Printing	1,400	
Carry-over of claims	3,000	
Vocational test material	4,200	52,800
Increase—		
Equipment purchases	689	
Computer time	5,400	
Hire of equipment	5,200	11,289
Net Shortfall in Expenditure	41,511

Source: Department of Labour and National Service.

322. A shortfall in expenditure of \$37,900 was incurred because automatic punching and verifying equipment, for which provision to purchase had been made, was hired. The decision to hire this equipment was taken on the advice of the Public Service Board and the Commonwealth Stores Supply and Tender Board. It was said that when the estimates were prepared the feasibility study, which is conducted prior to the acquisition of equipment, was at an early stage, and a choice had to be made between the several types of equipment which were available, two for purchase, and one for either hire or purchase. The first of the machines to be hired followed a request to the Commonwealth Stores Supply and Tender Board on 13 July 1966. The final approval for the hire of equipment was given by the Board on 22 November 1966. Exhibit 96/49
and Q's 4050
and 4051

323. Requirements of magnetic and paper tapes for use with Automatic Data Processing equipment amounted to \$6,300 less than the estimate. Exhibit 96/49
and Q. 1052

We were told that when the estimates were formulated the use of flexi-writers to produce forms was under consideration. The flexiwriters were to be operated by means of a punched tape produced by the computer. The flexiwriters were not purchased, however, and the consumption of tape was less than had been anticipated. In addition, the system did not commence until the fifth National Service registration occurred in January-February 1967. Even then it operated only in respect of Victoria and Tasmania, whereas when the system was prepared it had been envisaged that other States may have been included within it.

Exhibit 96/49
and Q.'s 1053
and 1054

324. There was a shortfall in expenditure of \$1,400 in respect of work undertaken for the Department by the Government Printer. An estimate of \$2,000 had been made for the cost of several information booklets based on the production of comparable material in previous years. In fact the charge amounted to only \$1,020. The witness was unable to explain the reason for these cost differences. A further shortfall of \$3,000 was incurred in respect of completed printing orders, claims for which were not received before the close of the financial year.

325. There was a further shortfall of \$4,200 in respect of vocational test material. In this regard it was said that contract rates agreed on after the preparation of the estimates were lower than had been anticipated and secondly, revised procedures of testing in certain areas resulted in the testing of few registrants.

Q.'s 1056 to
1059

326. In regard to the revised testing procedures, we were informed that in the early stages of the National Service Scheme, which came into operation in January 1965, each registrant who did not reach a certain educational standard was given a vocational test in addition to the medical test and an X-ray test. It was decided, after a few months' experience, that this was not the best arrangement and the testing procedure was revised to provide that vocational tests would be given only when the registrants concerned had passed their medical and X-ray tests. The witness indicated that this change took place during the latter half of 1965.

Q. 1067

327. As there had been a shortfall of \$428 in expenditure in the previous financial year we asked why a carry-over of claims into 1966-67 had occurred. It was said that the claims, valued at \$689, were in respect of major installations of machines purchased in 1965-66 for the maintenance of records. Because of installation problems these claims had not been settled in the year of purchase.

Exhibit 96/49
and Q. 1068

328. Expenditure of \$5,400 in excess of the estimate occurred in respect of hiring charges for computer time. This was due to the fact that the Department of Civil Aviation computer had not been available to the Department of Labour and National Service to the extent required during peak load periods. In this regard we were informed that during the registration period the Department required continual access to a computer in order to process its records. Until May 1967, however, the Department of Civil Aviation computer had not been installed at its

final location and the Department of Labour and National Service had experienced some difficulty in obtaining access to it at the required times. Computer time was therefore hired from a similar installation in Melbourne. Hiring charges for punching and verifying equipment was \$5,200 in excess of the estimated requirement.

Conclusions

329. In the case of this item Your Committee is disturbed to find that provision was made in the Original Estimates to meet the purchase of Automatic Data Processing equipment before a decision had been taken as to whether the equipment concerned would be purchased or hired. Your Committee is also concerned to find that while provision was made for the purchase of magnetic and paper tapes for use in association with flexiwriters in conjunction with the proposed computer, the flexiwriters were not purchased and in any case the proposed system did not come into operation until later in the financial year than had been expected and even then it involved the registrations in two States. As a result, an overestimate of \$6,300 occurred in respect of magnetic and paper tapes. In regard to the acquisition of vocational test material the evidence indicates that funds had been sought in the Original Estimates before the contract rates for the supply of the material had been settled. In each of these cases it is clear that funds were sought prematurely.

330. The circumstances relating to the revision made to the procedures for testing National Service Registrants requires special mention. In this case the evidence indicates that the revision was made prior to the closing date for the Original Estimates for 1966-67 and should have been taken into account when those Estimates were framed.

CHAPTER 12—DEPARTMENT OF NATIONAL DEVELOPMENT
DIVISION 932/4: CAPITAL WORKS AND SERVICES. FOR EXPENDITURE
UNDER THE RIVER MURRAY WATERS ACT

Appropriation Act (No. 2) \$950,000: Expenditure \$645,000

Exhibit 96/50
and Q's 1230
to 1251

331. This item provides for the Commonwealth's contribution towards the construction costs of works set out in the River Murray Water Agreement and the cost of the investigation of proposals for the better conservation and regulation of River Murray Waters. The Commonwealth and the States of New South Wales, Victoria, and South Australia make equal contributions towards the construction and investigation costs.

332. Under the terms of the River Murray Waters Act, the Commonwealth is required to contribute one-fourth of expenditure incurred on construction works. Construction, maintenance and operation works are carried out on behalf of the Commission by State constructing authorities, and their operations are subject to the Commission's approval. In March of each year, the constructing authority in each of the three contracting States is required to submit detailed estimates of expenditure for the ensuing financial year to the Commission for approval. The estimates submitted by the States concerned for 1966-67 were considered by the Commission at a meeting in April 1966, and approval was given to a programme for construction involving expenditure 1966-67 of \$4,280,000 of which the Commonwealth's share was \$1,070,000. Details of the programme are shown in Table No. 5.

TABLE No. 5: RIVER MURRAY COMMISSION
ESTIMATED EXPENDITURE AND COMMONWEALTH CONTRIBUTION
(1966-67)

Project	Estimated Expenditure	Commonwealth Contribution
	\$	\$
Chowilla Dam	3,740,000	935,000
Other construction work	539,150	134,788
Total	4,279,150	1,069,788

Source: Department of National Development.

Exhibit 96/50

333. After discussing the estimates with officers of the Commission, the Commonwealth's contribution towards expenditure in 1966-67 was discounted by \$120,000 to \$950,000. It was intended that there should be recourse to the Additional Estimates if the appropriation of \$950,000 proved to insufficient. The amount appropriated in 1966-1967 was finalised on the basis of an assurance by officers of the Commission that a contract for the construction of the Dam would be let in time for work to commence in March 1967.

334. Commonwealth funds called upon by the Commission totalled \$645,000 of which \$520,000 was for the Chowilla Dam project and \$117,000 for other construction works. Expenditure made against the Chowilla project was in respect of site investigation, resumption of properties, and in the conduct of surveys which were in progress before tenders had closed. The major portion of the shortfall in expenditure was in relation to this project. Estimates of expenditure for 1966-67 were based on the assumption that tenders for the construction of the Dam would close in November 1966, and that construction would commence in March 1967. Because of delays, however, tenders were not considered by the Commission until March 1967 and, as the lowest acceptable tender was some \$25,000,000 in excess of the estimate, a contract had not been awarded by the end of June 1967, pending a report by a committee which had been appointed to conduct a technical re-assessment and justification investigation.

Exhibit 96/50
and Q. 1232

335. Prior to the November closing date for tenders, negotiations had been proceeding independently between a nominated sub-contractor and the South Australian Engineering and Water Supply Department which is responsible for the Commission's work in that State. The witness for the Commission was unable to inform us of the technical details of the delays. It was claimed that the price submitted by the sub-contractor was considered to be too high and that in order that future expenditure should be fully protected, the closing date for tenders was extended to 23 February, so that negotiations could be continued with the sub-contractor prior to the placement of a tender by the main contractor.

Q.'s 1232,
1241 to 1247

336. It was said that the reasons for the delays with the sub-contractor would possibly be known to the Commission, but were not known to the witness for the Commission and he did not know why contracts could not have been submitted by other contractors for other work on the project or why the main contract could not have been accepted without the sub-contract being finalised. The witness informed us that he was not fully conversant with the combination of reasons which were responsible for the extension of the closing date for tenders to 16 March. It was indicated, however, that the matter of the sub-contractor had not been resolved at the time that this extension was made.

Q.'s 1232,
1245 to 1250

337. The Committee was informed in its Inquiry into the Consolidated Revenue Fund 1964-65 that the Department of National Development has no part in the preparation of the Estimates and has no control over expenditure of the funds appropriated. It was said at that time that the River Murray Commission thoroughly reviews the estimates submitted by the various States and if considered necessary, returns the estimates for re-consideration and also that the Commonwealth is bound to support whatever proposal is finally agreed upon the States.

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of 1964/65

338. In 1964-65 while \$588,000 was appropriated in the Original Estimates, \$198,000 remained unexpended. In 1965-66, however, only

\$40,000 remained unexpended from an Original Appropriation of \$684,000. The Additional Estimates were not used in either of these years. It was said during this Inquiry that since the 1964-65 Inquiry into expenditure from the Consolidated Revenue Fund the Deputy Commonwealth Commissioner has stressed the need for accurate estimating and that the improvement in estimating in 1965-66 was a reflection of this.

Conclusions

339. In its Twenty-fifth Report it was noted by Your Committee that the present position, in which expenditure appears to be outside Commonwealth control cannot improve if the existing arrangements remain unchanged and also that representations should be made by the Commonwealth member of the River Murray Commission, to his colleagues on the Commission, with a view to seeking a satisfactory arrangement regarding use of the Additional Estimates. In that Report Your Committee drew attention to the fact that the River Murray Water Agreement does not specify that the funds provided by the Commonwealth must appear in the first appropriation act and that a revision of the estimating procedure is required if continued over-estimating is to be avoided.

340. Your Committee examined this item during its Inquiry into the Consolidated Revenue Fund results for 1964-65. In our Report at that time we expressed the view that representations should be made by the Commonwealth member of the River Murray Commission, to his colleagues on the Commission, with a view to seeking a satisfactory arrangement regarding the use of the Additional Estimates at the Commonwealth level.

341. Your Committee notes that while use was not made of the Additional Estimates in 1965-66, the results achieved in that year represented a considerable improvement compared with the result achieved in 1964-65. In 1966-67, however, and notwithstanding that the Original Estimates put forward by the Commission were formed prior to their inclusion in the Estimates, the amount of \$950,000 provided as the Commonwealth's share was underspent to the extent of \$305,000. The principal cause of this shortfall emanated from delays in the consideration of tenders relating to the Chowilla Dam project. In these circumstances and having regard to the history of expenditure on this item we consider that the Department should continue to act with caution in seeking funds on behalf of the Commission for inclusion in the Original Estimates. We are disturbed to find that the witness was unable to provide firm information as to the causes of delay in the acceptance of the contract concerned.

CHAPTER 13—DEPARTMENT OF THE NAVY

(i) DIVISION 668/01: ADMINISTRATIVE EXPENSES AND GENERAL SERVICES—TRAVELLING AND SUBSISTENCE

Appropriation Act (No. 1) \$4,340,000: Expenditure \$3,961,029

342. This item provides for, inter alia, fares, travelling and subsistence allowances for members of the Australian Naval Forces, and civilian officers of the Department of the Navy; hire of passenger transport; mileage allowance for use of private vehicles; and fares and mileage allowance in connection with removal of families. Exhibit 96/51

343. It was claimed that the estimate for this item has regard to expenditure in previous years adjusted as necessary to take into account any known new factors including significant non-recurring commitments. The reasons for the underexpenditure in 1966-67 are given below. Exhibit 96/51

344. Cancellation of commitments as a result of the ending of Indonesian Confrontation on 14 September 1966 led to underexpenditure of \$41,000. Exhibit 96/51

345. It was claimed that unforeseen delay in H.M.A.S. *Oxley* leaving Britain after commissioning resulted in 1 member and 42 families returning to Australia in mid-June 1967 instead of the previous February. Consequently expenditure could not be brought to account in 1966-67, resulting in underexpenditure of \$37,000. We were informed that two submarines had been ordered through the United Kingdom Ministry of Defence at Scotts Shipbuilding, Greenock, in 1963, and another two in 1964. It was said that the first of these, the *Oxley*, was originally scheduled for completion and commissioning, with R.A.N. complement trained in the United Kingdom by 20 December 1966. It was claimed, however, that due to delays arising from the late arrival of equipment provided by the British Ministry of Defence to the shipbuilder, the completion date slipped in September 1966 from 20 December to 27 January 1967, and again in December 1966 from 27 January to 21 March 1967, which was in fact the actual date of hand-over and commissioning. After 'working up' in the United Kingdom *Oxley* departed for Australia on 12 June and arrived at Brisbane on 18 August. The witness indicated that delays of this type are not unusual. With regard to responsibility for expenses involved in delays of this kind, we were informed that there is a penalty clause in the contract and that at the time of our Inquiry, negotiations were proceeding between the British Ministry of Defence and the shipbuilder. As the vessels were ordered through the British Ministry of Defence, the Department of the Navy had sought all the protection that the British Government would have, had it ordered the submarines. Exhibit 96/51,
Q.'s 1266 and
1267

Q. 1267

Q. 1268

Exhibit 96/51
and Q. 1269

346. The return of 41 members and 31 families from the United States of America following Tracker and Skyhawk aircraft training courses occurred some months later than had been expected. Because of this, \$63,000 was underexpended in 1966-67 and expenditure in respect of the return of these people will be met in 1967-68. We were informed that fifty-eight members were sent to the United States for technical training in Tracker and Skyhawk aircraft. Seventeen of these were instructors who returned to Australia in April 1967 while those remaining were given maintenance courses. It was claimed that it had been planned, before their return in June 1967, that they should take receipt of the Tracker and Skyhawk aircraft and prepare them for transport. However, because of a slightly later delivery of the aircraft, six personnel were retained in the United States while the bulk of the party and their families returned to Australia in August.

Exhibit 96/51

347. Because H.M.A.S. *Brisbane* was commissioned in mid-December instead of mid-September as had been expected, 154 members of the first main draft for the crew will now leave for the United States in the current financial year instead of in 1966-67. This delay caused an underexpenditure of \$55,000 in 1966-67.

Exhibit 96/51,
Q's 1270,
1271 and
Committee
File 1967/5

348. A re-appraisal of training requirements for and replacement of personnel for Charles F. Adams destroyers and Escort Maintenance Ship training resulted in the cancellation of passages to the United States of America for 20 members and 10 families in 1966-67 and resulted in an underexpenditure of \$24,000. The programme for 1966-67 planned for 110 personnel to be trained for Charles F. Adams destroyers in the United States of America, but in the light of experience of wastage rates in these new ships, it was found necessary to train only ninety. We were informed that this training programme on which the Budget estimates were based was approved in March 1966. The re-appraisal of training requirements began with a meeting in the Training Division at Navy Office on 4 October 1966, followed by a more widely representative meeting on 17 October 1966, and the proposals were ratified with officers from the fleet at a further meeting on 11 November 1966, including representatives from H.M.A. Ships *Hobart* and *Perth*. Training of R.A.N. personnel commenced at varying times throughout 1966-67, in accordance with the United States course schedules. The duration of the courses ranged between six and twelve months.

Exhibit 96/51,
Q. 1272 and
1282

349. Because expected recruitment of officers in Britain and Canada was eight less than had been expected, expenditure in respect of transport costs which had made allowance for families was \$23,000 less than the estimate. We were informed that the officers are recruited on their technical ability. It had been planned that ten married officers would be recruited in Britain and six in Canada. In the event, four were recruited in each of these countries.

Exhibit 96/51
and Q. 1273

350. An overestimate was made of the number of members who would be available for training and the number who would be accompanied

by their families to attend Tracker aircrew training in the United States of America with the result that there was an underexpenditure of \$83,000. We were informed that the estimate in respect of this course would have been made by the Training Division shortly before the 1966-67 Estimates were settled and would have been based on expected training requirements. It had been expected that twenty married technical officers would undertake courses in Britain as well as fifteen single members undertaking basic observer training. It was also expected that thirty-six married members would undertake basic flying training in the United States of America. However, only ten married technical officers and seven single members undertook courses in Britain and thirty single members in the United States of America. In respect of the basic flying courses in the United States, it was claimed that the R.A.A.F. was unable to meet the requirements of the Department of Navy.

351. Because of deferment of the operational evaluation of *Ikara* using United States Naval ranging facilities, passages to the United States of service and civil personnel concerned with this project were deferred resulting in an underexpenditure of \$95,000.

Exhibit 96/51

352. There was an overexpenditure of \$69,000 in respect of duty and leave travel of A.N.F. personnel, the incidence of which is always difficult to predict with any real accuracy, and travel by R.A.N. Reserve personnel and R.N. Submarine personnel and hire of motor vehicles offset by decreases in rental, accommodation and travelling allowances.

Exhibit 96/51
and Q. 1274

353. With respect to the difficulty of estimating expenditure on duty and leave travel, the witness was asked why, given an expenditure of some \$2,800,000 in 1964-65 and \$3,500,000 in 1965-66, \$4,300,000 had been sought in the Original Estimates in 1966-67. We were informed that several fairly large projects had been approved, including the Tracker and Skyhawk. It was claimed that these involved a considerable increase in travel to the United States of America in respect of investigatory missions and training courses. It was said that all variations in travel were related to two factors, one being an annual increase of about 1,100 to 1,200 in the numbers serving in the Navy and to new projects.

Q. 1274 and
Q. 1276

Conclusions

354. Your Committee examined the Department of the Navy in respect of this item in connection with Expenditure from the Advance to the Treasurer for 1964-65. In that year \$2,400,000 had been provided for the item in the Budget, a further amount of \$150,000 had been obtained in the Additional Estimates and \$252,000 had been made available from the Advance to the Treasurer. In view of the evidence then tendered, which indicated the difficulty of accurately foreseeing expenditures under this item, Your Committee accepted the Department's explanation. The evidence tendered in the present Inquiry serves to

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of 1964-65

highlight once more the difficulties confronting the Department in foreseeing the probable course of expenditure under this item and points to the need for provisions made in the Original Estimates to be framed accordingly.

(ii) DIVISION 670/02: GENERAL STORES—H.M.A. SHIPS, FLEET AUXILIARIES AND NAVAL ESTABLISHMENTS—ELECTRONIC, ELECTRICAL, ENGINEERING AND MISCELLANEOUS STORES.

Appropriation Act (No. 1) \$19,239,000: Expenditure \$17,650,554

Exhibit 96/52

355. This item provides for the purchase of and/or manufacture of radio, radar, sonar, teletype, cryptographic and avionic equipment; photographic equipment; general Naval and Air Stores; machinery spares; spare parts and accessories including tyres and tubes for motor transport and materials for repair of all plant and machinery. A summary of the factors and amounts involved in the underexpenditure under this item is given in Table No. 6.

TABLE No. 6: DEPARTMENT OF THE NAVY
ITEM 670/02: SHORTFALL IN EXPENDITURE
(1966-67)

Exhibit 96/52

	Amount	Amount
	\$'000	\$'000
Shortfall—		
Lags in finalisation of technical requirements	2,464	
Delays in deliveries and payments	801	
Reduced costs	39	
		3,304
Excess Expenditure—		
Accelerated deliveries and payments	1,118	
Manufacture and repair of naval stores by the Dockyard	174	
Increased freight costs	30	
Increased drawings of stores by R.A.N. ships from R.N. sources	394	
		1,716
Net Shortfall in Expenditure	1,588

Source: Department of the Navy.

Q. 1332

Q. 1332

356. We were informed that, in framing the estimate for this item consideration must be given to both capital and maintenance expenditure. Capital expenditure is made in respect of improvements or changes intended to be effected in the Navy while maintenance expenditure is that required to maintain the Navy in operation. All capital improvements are the subject of close examination by project co-ordination committees, by staff requirement committees and by financial programming committees. The findings of these committees are subjected to analysis of the source of supply and time of expected deliveries of capital equipment. It was claimed that in the light of all the factors which are disclosed, and the practicality of achieving them, a figure is arrived at which is committed to a particular programme, either in respect of one year or several years in an attempt to assess the payments that will be related to the deliveries in a particular year. Maintenance expenditure is related to the performance and operating costs

of the known strength of the Navy in previous years together with an attempt to reconcile this with the classes of ships and the form of the service which comprises the Navy in the year under review.

357. Although the Treasury Observer, Mr Pond, saw no need to distinguish between capital and maintenance expenditure under the item, the witness claimed that the distinction between capital and maintenance expenditure was justified in regard to the formulation of the estimates. He said that the increase in the amount appropriated under this item in the past two years was related to capital expenditure in respect of technical research and specifications and was not involved in repeat orders. While capital expenditure adds to the establishment, maintenance expenditure on the other hand is in respect of the replenishment of equipment which is already on the establishment.

Q.'s 1338 and 1339

358. When questioned as to the reason why use had been made of the Additional Estimates and the Advance to the Treasurer in 1964-65 and not in the following two years, we were given details of estimated and actual expenditure for 1964-65 and were informed that there had been an unexpected acceleration of delivery of naval stores and machinery spares as well as other unexpected expenditures including those related to operational requirements in the Malaysia area.

359. Underexpenditure under this item was classified by the Department under three headings—lags in finalisation of technical requirements, delays in deliveries and payments, and reduced costs.

(a) *Lags in Finalisation of Technical Requirements*

360. The components of and value of underexpenditure due to lags in finalisation of technical requirements are shown in Table No. 7. Exhibit 96/52

TABLE No. 7: DEPARTMENT OF THE NAVY
ITEM 670/02: EQUIPMENT AND AMOUNT INVOLVED IN SHORTFALLS
IN EXPENDITURE DUE TO LAGS IN FINALISATION OF TECHNICAL
REQUIREMENTS

Exhibit 96/52

Equipment	Amount
	\$'000
Training equipment	1,962
Teletype tape reading equipment	79
Containers for life rafts and survival packs	50
Radar equipment	47
Re-compression chamber	24
Sonar equipment	20
Inflatable life jackets	24
Buoyant cable for minesweepers	39
Spares for radar equipment	31
Standby spares for transmitting equipment	60
Re-arrangement of Darwin naval radio station	30
Modification sets for Wessex main rotor blades	20
Machinery spares for escort maintenance ship	78
Total	2,464

Source: Department of the Navy.

Q. 1342

361. We were informed that in recent years, each succeeding year has involved a greater task in the assessment and evaluation of technical requirements and in the drawing up of specifications and in some instances, the resources of the Department have been unable to cope with this task due to problems which emerge from detailed investigations made by technical bodies. The witness claimed that the value of technical investigations was \$2,400,000 higher in 1966-67 than the current year and that there had been a great improvement in technical evaluation procedures.

Exhibit 96/52

362. It was said that while broad details of the numerous sophisticated items required are available in respect of training equipment, considerable refinement by naval staff and technical officers was found to be necessary before requirements could be precisely specified in terms suitable for ordering purposes. We were informed that the broad description 'Training Equipment' covers items for both operator, user and maintenance training or a combination of these. All of the equipment, because of its specialised nature, is not procurable from normal production and very largely has to be 'custom built' to the particular R.A.N. requirement. It was claimed that because of the specialised nature of the items, lags occurred after the receipt of technical details for ordering purposes, in establishing firm contracts for supply and that consequently lead times were longer than had been expected.

Exhibit 96/52
and Q. 1343

363. Tenders were received during 1966-67 in respect of teletype tape reading equipment and containers for life rafts and survival packs, but we were told that these were rejected because of non-compliance with technical requirements and that revised specifications were necessary before fresh tenders could be called. Tenders for this equipment had been invited by the Department of the Navy in September 1965 but when they were received in May 1966, very important developments were taking place in this field and it was thought likely that better equipment would become available in the reasonably close future. For this reason, the specifications were revised to provide for the improved equipment.

Exhibit 96/52
and Q. 1345

364. We were informed that design difficulties had been experienced in respect of radar equipment, re-compression chamber, and sonar equipment which caused delays in the placement of orders or in production. It was explained that the type of radar equipment involved is fitted to numerous types of ships each having an individual configuration of equipment. Because of this, it was found that instead of introducing one radar specification for the fleet, individual specifications for individual ships were required. This involved more time than had been anticipated and the order was not placed until June 1967, with the result that no claim came forward for payment.

Exhibit 96/52

365. Production delays said to be due to the non-availability of valves arose with the British contractor in respect of inflatable life jackets,

and it was also claimed that production in Britain of buoyant cable for minesweepers was deferred because of a shortage of buoyant cable.

366. It was stated that delay in assessment by the overseas manufacturer of spares requirements for radar equipment had prevented the preparation of detailed orders. It was said that the Department had not seriously over-ordered spares which had not been used. It was claimed that the Department is guided by overseas manufacturers in respect of the purchase of this equipment. A naval representative is located at Australia House who is associated with the manufacturers' assessments so that when these assessments are received by the Department it has already been examined by the Department's representative. When the manufacturer's list of maintenance and base spares was found to be excessive, the Department's technical experts in Australia examined and reduced it. Because of the time involved in this process, delivery was not achieved before June. The value of this order was \$28,000. It was said that this equipment would have been purchased in Australia had it been available locally at a reasonable price.

Exhibit 96/52
and Q.'s 1346
to 1352

367. It was said that orders in respect of standby spares for transmitting equipment and the re-arrangement of the Darwin naval radio station were not placed as the projects concerned were deferred. Because of further consideration having been given to the introduction of new major equipment which will ultimately replace existing transmitters, the spares order was deferred until the conclusion of investigations in respect of the new equipment. We were informed that modern communications equipment requires the physical re-arrangement of equipment at the Darwin naval radio station and it had been expected that this could have been achieved with a minimum alteration of the buildings in which the equipment is housed. However, advice received from the Department of Works indicated that because of climatic conditions the life of the existing buildings is limited, and recommended that attention be given to the entire buildings complex at the Darwin naval radio station.

Exhibit 96/52,
Q.'s 1353 and
1354

368. In regard to the Wessex main rotor blades we were informed that the modification sets were expected to have been proved and adopted in Britain in sufficient time to allow orders to be placed but that this did not eventuate.

Exhibit 96/52

369. The underexpenditure in respect of machinery spares for the escort maintenance ship was due to delay in the assessment of a load list to enable the placement of orders in time to incur planned expenditure. It was claimed that this delay was due largely to a staff shortage and that the assessment of these spares is a very lengthy task for which sufficient staff was not available due to recruitment difficulties. However, a new organisation had been approved in February 1967 for the Directorate of Machinery and Spares, and at the time of our Inquiry, the staffing situation had improved considerably.

Exhibit 96/52
and Q.'s 1355
to 1358

(b) *Delays in Deliveries and Payments*

370. The value of equipment involved in underexpenditure due to delays in deliveries and payments is shown in Table No. 8.

TABLE No. 8: DEPARTMENT OF THE NAVY
ITEM 670/02: EQUIPMENT INVOLVED IN SHORTFALLS IN EXPENDITURE DUE TO
DELAYS IN DELIVERIES AND PAYMENTS

Exhibit 96/52

Equipment	Amount
	\$'000
Equipment involved in modifications to Gazelle engines and spares .	296
Iroquois spares	44
General air stores	74
Communications equipment	34
Base spares for type 12 escorts	80
Sonar equipment—spares	20
Communications equipment	176
Stores for escort maintenance ship and support craft	56
Power converters for E.D.P. equipment	21
Total	801

Source: Department of the Navy.

Exhibit 96/52

371. We were informed that an assurance had been given by the Contractor (Rolls Royce Ltd of Britain) that the delivery position in respect of modifications to Gazelle engines and spares which had lagged seriously in 1965-66 would improve in 1966-67. There was, however, no appreciable improvement. Delays also occurred in the delivery of Iroquois spares from the United States of America due to the extensive use of Iroquois helicopters by the United States Army in Viet Nam.

Exhibit 96/52
and Q.'s 1359
to 1367

372. It was said that there had been lags in deliveries and in the rendition of claims over a large range of general air stores which relate to the maintenance of naval aviation. Planned expenditure amounted to \$450,000 and there was a shortfall of \$74,000 associated with some 2,000 individual orders. The shortfall resulted from delays in placing orders due to the slower rate of component repair required and to the resulting reduced delays of complete deliveries. We were informed that action is taken by the Department to pursue each claim which has been outstanding for one month. A record of outstanding claims is maintained and we were informed that one of the duties of the Department's Liaison Officers who visit suppliers in Australia is to pursue such claims.

Exhibit 96/52,
Q. 1369

373. In respect of communications equipment, base spares for type 12 escorts and spares for sonar equipment, it was said that claims had not been received for equipment which had or had not been delivered. We were informed that the procedure outlined above had been followed in respect of the equipment which had been delivered.

374. It was said that lags in the completion of ships had delayed the issue and costing of stores for the escort maintenance ship and support craft and that the shortfall in expenditure in respect of power converters for Electronic Data Processing equipment was due to a lag in deliveries by an N.C.D.C. contractor.

375. In regard to the effect of cost reductions on expenditure it was said that an order for modification kits for sonar equipment had been completed at \$39,000 less than the estimated cost. Exhibit 96/52

(c) *Excess Expenditure*

376. We were informed that expenditure in excess of the Estimate was incurred in respect of accelerated deliveries and payments; increased requirement for the manufacture and repair of naval stores by the dockyard; increased freight costs; and increased drawings of stores by R.A.N. ships from R.N. sources. Details of the amounts involved, including the component parts of accelerated deliveries and payments, are given in Table No. 9. Exhibit 96/52

TABLE No. 9: DEPARTMENT OF THE NAVY
ITEM 670/02: EXCESS OVER ESTIMATED EXPENDITURE

	Amount	Total
	\$'000	\$'000
Accelerated deliveries and payments—		
Sonar for Wessex modernisation	530	
Installation of specialised equipment	74	
Spares for type 12 destroyer escorts	36	
Spare engines for patrol boats	115	
General naval stores	249	
General machinery spares	114	
		1,118
Manufacture and repair of naval stores by the Dockyard		174
Increased freight costs		30
Increased drawings of stores by R.A.N. ships from R.N. sources		394
Total	1,716

Source: Department of the Navy.

Conclusions

377. Your Committee finds that in certain respect the circumstances of uncertainty under this item are not dissimilar from those found in relation to the previous Item 668/01. In 1964-65 when the Department experienced an unexpected acceleration of delivery of naval stores, funds were obtained in the Original and Additional Estimates and also from the Advance to the Treasurer. In 1965-66 when the amount sought in the Budget amounted to \$20,114,000 compared with a corresponding figure of \$10,038,000 in 1964-65, but no further amount was sought in the Additional Estimates, a shortfall of \$5,716,417 occurred in the item. In 1966-67 there was a shortfall of \$1,588,446 from an Original Appropriation of \$19,239,000. Although this result constitutes a considerable improvement compared with the result achieved in 1965-66, the evidence submitted shows that much of the equipment purchased under the item is of a sophisticated nature and is subject to change arising from technical developments. These changes give rise in some cases to specification revisions which result in delays in the acquisition of and payment for the equipment.

378. In the case of the Darwin naval radio station it appears that advice was not obtained from the Department of Works as to the condition of the building prior to the inclusion in the Estimates of an amount required to meet the cost of transmitting equipment and the rearrangement of the Darwin naval radio station. The discovery that the building was inadequate resulted in the deferment of the order for the equipment concerned. We consider that the Department of the Navy should have obtained competent advice on the condition of the building before including in its estimate a provision for that equipment.

379. The evidence submitted in relation to delays that had occurred in deliveries and payments indicates that while many of these delays are occasioned by overseas suppliers and, in this regard, are beyond the control of the Department, the problems associated with procurement from overseas sources are well known to the Department. For example, an assurance was given by an overseas supplier that the delivery position in respect of modifications to Gazelle engines and spares which had lagged seriously in 1965-66 would improve in 1966-67. There was no appreciable improvement, however, and as a consequence a shortfall of \$296,000 occurred in that year.

380. In the circumstances reflected by the evidence Your Committee believes that Original Estimates for this item should be framed very cautiously and greater use made, if necessary, of Additional Estimates at a later stage in the financial year.

(iii) DIVISION 670/03: GENERAL STORES H.M.A. SHIPS, FLEET
AUXILIARIES AND NAVAL ESTABLISHMENTS

Appropriation Act (No. 1) \$5,741,000: Expenditure \$4,479,938

Exhibit 96/53,
Q. 1383

381. This item provides for guns and gunnery equipment; ammunition; missile launches and missiles; torpedoes and mines; general armament stores and pyrotechnics. Equipment provided for by this item is closely related to the preparation for war and the ability to conduct a war, and there is a naval staff committee which determines a war requirement for each piece of equipment, while normal peace time estimates are related to expenditure in previous years.

Q.'s 1385 to
1392

382. We were informed that armament store depots are located in New South Wales and in Western Australia and that there are some 50,000 items involved under the heading of armament stores. In practice, when stores are drawn by a ship, details of these are forwarded to Navy Office and to supply depots. It was said that details of annual usage of each item is given to Navy Office where future requirements are estimated within the Armament Supply Branch. Approximately eighty people are employed in the Naval Supply Branch at Navy Office and part of their duties is related to the checking of estimates.

383. Details of the shortfall in expenditure under this item are given in Table No. 10.

TABLE No. 10: DEPARTMENT OF THE NAVY
ITEM 670/03: SHORTFALL IN EXPENDITURE

Exhibit 96/53

	Amount	Total
	\$'000	\$'000
Shortfall—		
Lags in placement of orders	785	
Delayed deliveries	649	
Lags in payment and reduced costs	416	
Lower expenditure	714	
Miscellaneous	152	
		2,716
Increase		1,455
Net Shortfall	1,261

Source: Department of the Navy.

(a) *Lags in Placement of Orders*

384. Five reasons were given for the lags in placement of orders. These were technical lags involving a shortfall of \$153,000; delay pending investigation by the Department of Supply of the availability of components and costs for local manufacture involved a shortfall of \$142,000; delays resulting from protracted trials of equipment involved a shortfall of \$269,000; delays involved in the revision of quantities in respect of charges offered by the Ministry of Defence (Navy) resulted in a shortfall of \$55,000; and administrative delays were responsible for a shortfall of \$166,000.

Exhibit 96/53

385. We were informed that lags in the placement of orders were due largely to inexperienced staff within the Armament Supply Branch, a fact which has been detrimental to the prompt placing of certain types of orders. It was claimed that should the Armament Supply Branch be operating efficiently, a delivery date would normally be stipulated and before this date is reached information is sought on scheduled delivery.

Q.'s 1393 to 1395

(b) *Delayed Deliveries*

386. Delayed deliveries were due to production difficulties in Britain involving a shortfall of \$283,000; production difficulties within the Department of Supply involving \$114,000; technical difficulties in respect of domestic and imported manufactured items; production lags in the Department of Supply due to precedence given to other work involved \$40,000; and stores available but not delivered for shipping to Australia until too late for payment in 1966-67 involved underexpenditure of \$67,000. With respect to the latter stores, it was claimed that some difficulty is always experienced in the shipment of explosives and allied types of stores. We were informed that this order was for 40/60

Exhibit 96/53,
Q. 1396 and
Committee
File 1967/5

calibre cartridges on order from Britain, payment for which is usually made on receipt of the accepted Bill of Lading in London. It was said that while delivery may be made of this material to a shipping location, the shipping companies will not accept the goods for transport until the ship is in port to receive the explosives. It was claimed that because of this there was often a delay from the time when explosives are delivered at a wharf until they are taken on board a ship. The Bill of Lading is not signed until the explosives have been taken on board the ship. In this instance, a revised estimate of expenditure had been received from the official secretary in respect of acceptance by the shipping company in April. In fact, the explosives were shipped in July, too late to affect payment in 1966-67. It was said that delayed deliveries represented 23.7 per cent of orders placed in Australia and 27.7 per cent of orders placed overseas.

(c) Lags in Payment and Reduced Costs

Exhibit 96/53

387. Shortfalls in expenditure due to lags in payment and reduced costs were said to be due to an overestimate of claims involving \$200,000 expected to be received from the Department of Supply in 1966-67; billings involving \$177,000 not received from the United States of America; and to the fact that progress payments which were due in 1966-67 had not been paid due to the inability of the British contractor to satisfy the Official Secretary regarding the progress of work.

Q.'s 1397 and
1398

388. The overestimate of claims expected to be received from the Department of Supply was in respect of *Ikara* missiles being built by that Department. It had been estimated by the Department of the Navy that \$200,000 would be expended on this project, but in the event the Department of Supply was unable to proceed as quickly as had been thought possible. The witness for the Department of Supply informed us that the \$200,000 estimate had not been given to the Department of the Navy by the Department of Supply. It was claimed that an estimate of \$100,000 had been given by that Department, but that difficulties had arisen with the development programme. The estimated \$100,000 was expected to cover tooling costs but the delay in the project meant that the anticipated tooling did not take place and expenditure was not incurred.

Q.'s 1399 to
1401

389. We were informed that billings had been expected from the United States of America in the last quarter of the year but that the United States Navy had been rather tardy in the rendition of claims. It was said that a cable requesting the claims had been sent in April, and inquiries had been made by the Department's representative in the United States, in conjunction with Treasury representatives, but the claims were not received.

390. Other shortfalls in expenditure which were said to be due to lower than estimated expenditure are shown in Table No. 11.

TABLE No. 11: DEPARTMENT OF THE NAVY
DIVISION 670/03: SELECTED SHORTFALLS IN EXPENDITURE
(1966-67)

Exhibit 96/53

	Amount
	\$'000
Reduced costs on orders placed	221
Deletion of projects from Budget	368
Deferred or reduced estimates	60
Unforeseen credits	65
Total	714

Source: Department of the Navy.

391. Included in the reduced costs on orders are three orders placed in the United States of America which, following a review of credit arrangements, had been purchased on credit rather than on a cash basis. The decision to include these orders in credit purchases was made in March 1967. Q. 1402

392. There were also a shortfall in expenditure amounting to \$152,000 in respect of a multiplicity of orders and projects. Exhibit 96/53

393. Expenditure amounting to \$1,455,000 in excess of the estimate comprised increased costs of overseas orders as advised by the Official Secretary, amounting to \$304,000; increased costs on orders placed with the Department of Supply amounting to \$29,000. Increased expenditure of \$553,000 also occurred in respect of deliveries and/or production work expected to be completed in 1967-68 but which was completed and paid for in 1966-67. The expenditure involved included work to the value of \$21,000 placed with overseas manufacturers, \$330,000 placed with the Department of Supply, and \$202,000 placed with other local manufacturers.

394. Increased expenditure in respect of lags in payments from 1965-66 and covering a variety of orders and projects amounted to \$388,000. It was said in evidence that when the 1966-67 estimates were being prepared, the existence of these lags in expenditure had not been fully appreciated. There was also unforeseen additional expenditure on ships serving in overseas areas to the value of \$181,000. Exhibit 96/53 and Q. 1403

395. In the case of this item lags in the placement of orders resulted in a shortfall of \$785,000. The reasons for these lags included technical delays; delays pending investigation by the Department of Supply; delays resulting from protracted trials of equipment and delays involved in the revision of quantities. Lags in the placement of orders were said to have arisen largely due to inexperienced staff within the Armament Supply Branch of the Department. Your Committee accepts this explanation as to the fundamental cause of difficulty but believes that due allowance should have been made for this problem in making an assessment of the orders that could reasonably be placed and financed during the year.

Conclusions

396. Your Committee accepts the Department's explanation in relation to delayed deliveries and trusts that problems arising from inexperienced staff in the Armament Supply Branch and consequent delays in the placing of orders have been overcome. Your Committee hopes that there is an increased awareness within the Department of the need for staff training.

397. Your Committee is concerned regarding an overestimate of claims which the Department of the Navy expected to receive from the Department of Supply. It appears that the Department of the Navy formulated its estimate of \$200,000 for work by the Department of Supply prior to receiving a figure from that Department relative to the value of the work that it would expect to be able to carry out in 1966-67. During that year the Department of Supply furnished the Department of the Navy with an estimate of \$100,000 to cover tooling costs, but during the year it experienced difficulties with its development programme and the proposed tooling work was unable to proceed. Your Committee finds that the provision of \$200,000 by the Department of the Navy for this work was unjustified.

398. Your Committee has conducted a specific Inquiry into delayed Billings in New York in connection with its examination of the Report of the Auditor-General for the financial year 1966-67 and accordingly will report to the Parliament in due course in this context on that aspect of the present evidence.

399. In the case of this item, funds were obtained only in the Original Appropriation in each of the three years 1964-65 to 1966-67 and in each of those years the item sustained shortfalls in expenditure. The expenditure experience on this item and the evidence tendered both point to the need for caution in the formulation of Original Estimates and the use of Additional Estimates later in the financial year should such a course be required.

(iv) DIVISION 670/05: GENERAL STORES—H.M.A. SHIPS, FLEET
AUXILIARIES AND NAVAL ESTABLISHMENTS—OIL FUEL

Appropriation Act (No. 1) \$2,896,000: Expenditure \$2,678,679

Exhibit 96/54

400. This item provides for the purchase of furnace and diesel oil and electricity for domestic purposes supplied to ships from shore.

401. We were informed that the shortfall in expenditure under this item was due to the late receipt of a cargo of oil fuel by H.M.A.S. *Supply* in Singapore, valued at \$105,000, and to a delay in the rendition of claims mainly in respect of issues from United States and Royal Navy sources, involving \$112,000.

402. It was said that in the Budget estimate, provision had been made for H.M.A.S. *Supply* to embark two cargoes of furnace fuel in Singapore

in May-June 1967 and for payment of approximately \$242,000 to be made in 1966-67. However, because of a change in the Fleet Programme, the first cargo could not be loaded until the final week in June. This was paid for but a second cargo, valued at approximately \$105,000, was loaded early in July and consequently no payment could be made in 1966-67.

403. With regard to the delay in the rendition of claims, we were informed that the Official Secretary, London, was requested to pay, before 30 June 1967, \$455,000 for verified general fuel drawings from Royal Navy sources. However, because of the delay in the rendition of claims by the Ministry of Defence (Navy), an amount of \$366,000 only was paid, resulting in underexpenditure of \$89,000.

404. It was said that the Australian Consul-General, New York, was requested to pay in 1966-67 a total of \$181,000 for verified general fuel drawings from United States Navy sources and for fuel drawings of H.M.A.S. *Hobart* from United States sources whilst on Viet Nam operations. Expenditure brought to account totalled \$106,000 involving an underexpenditure of \$75,000 in the total value of fuel drawn by H.M.A. Ships from United States Navy sources.

405. In regard to the failure to obtain claims under this item we were informed that the delays in receipt of claims from all sources were in respect of approximately eight weeks' supplies, i.e. the last two months of the financial year. While there was usually a delay of about three months in the receipt of claims from the United States Navy, those from the Royal Navy are usually received promptly. In this instance, however, the Royal Navy was also late in submitting its claims. A request was made to the British authorities for the claim, but it was not received.

406. A shortfall in expenditure also occurred in respect of fuel obtained from commercial sources in Hong Kong and Bangkok. The value of these supplies, for which claims were not received in 1966-67, amounted to \$20,000. On the other hand increased payments occurred on other cargoes delivered earlier in the financial year amounting to \$60,000 and increased drawings by Australian ships from other than Royal Australian Navy installations amounting to \$12,000.

Conclusions

407. Your Committee accepts the Department's explanation.

(v) DIVISION 672: SHIPS, AIRCRAFT, MACHINERY AND PLANT REPAIR AND OTHER CHARGES

Appropriation Act (No. 1) \$7,674,000: Expenditure \$6,954,717

408. This Division provides for the repair and refit of H.M.A. Ships and support craft in naval dockyards and by private contractors; the

Exhibit 96/55

repair, modification and overhaul of aircraft and aero engines by contractors; stores and equipment in aid of repair of aircraft and hire of aircraft; and repairs to plant and machinery, including motor vehicles, by private contractors.

Exhibit 96/55
and Q's 1299
and 1300

409. There are three separate components of this Division, the repair and refit of ships, the repair and overhaul of aircraft, and repairs to plant. It was said that estimates for the repair and refit of ships commence with an assessment of dockyard capacity and consultations with the Commanding Officer of the Fleet in order to ascertain the requirements of the fleet. Assessments are also made of the requirements of the supply division of the Navy in respect of the repair and manufacture of stores, and of work required in terms of man hours involved. From this information an estimate is made of the capacity of the shipyard in relation to man hours required. A decision is then made having regard to available capacity and a reasonable amount of overtime, of the amount of work which could be done by contract. It was said that the initial estimate each year would be received from Navy Office in early January, and that a revised estimate would be available in May. After the work to be undertaken has been determined by the Commanding Officer and his representatives with the dockyard representatives, a meeting is held at Navy Office during the period January-May between the Commanding Officer of the Fleet and representatives of two dockyards.

410. The variation between estimated and actual expenditure in 1966-67 in respect of this Division is shown in Table No. 12.

TABLE No. 12: DEPARTMENT OF THE NAVY
DIVISION 672: ESTIMATED AND ACTUAL EXPENDITURE
(1966-67)

Exhibit 96/55

	Estimated Expenditure	Actual Expenditure	Result
	\$'000	\$'000	\$'000
Repairs and refit of ships . . .	5,923	5,350	-573
Repair and overhaul of aircraft . .	1,592	1,378	-214
Plant repairs	159	227	+68
Total	7,674	6,955	-719

Source: Department of the Navy.

(a) Repair and Refit of Ships

Exhibit 96/55

411. Three factors were said to have contributed to a decrease in productivity in the dockyards resulting in a shortfall of \$573,000. The first was protracted industrial unrest at naval dockyards which involved 'go slow' measures and a Union partial ban on overtime work. Second, the average number of employees employed at Garden Island Dockyard was 2,531, compared with an estimated average number of 2,555 employees; and thirdly, there were changes in operational requirements

and refitting availabilities during the course of the financial year necessitating re-arrangement of the refitting programme.

(b) Repair and Overhaul of Aircraft

Local Aircraft Repair and Associated Work

412. An overall shortfall of \$149,000 occurred in respect of local aircraft repair and associated work. Of this account, \$106,000 arose from the conversion of Wessex aircraft and Gazelle engines in Australia. We were informed that this project was planned on the basis that one trial installation aircraft would be produced by Westland Helicopters Ltd of Britain, with kits being made available for the modification of other aircraft. It was expected that the British installation would be complete by April 1967 with modification kits and technical information coming forward for the Australian modification of six aircraft during 1966-67. This project was said to have been seriously hampered by the lack of modification kits, leaflets, drawings and instructions which were to be supplied by the contractors carrying out the trial installation on the prototype aircraft and engines in Britain. As a result work commenced on only two of the six aircraft that had been programmed. The remaining amount of \$19,000 related to general aircraft repair. One Sea Venom aircraft had been programmed for wing change and fitting of cross tubes but due to a lag in the supply of stores necessary for this work, only 40 per cent of it was completed by the contractor.

Exhibit 96/55
and Q. 1304

413. Provision was made in the Budget Estimate to reimburse the Department of Supply for payments to the contractor in respect of maintenance for the Tracker Weapons System Trainer. It was said that due to a delay in claim documentation while a cost investigation was made by the Department of Supply, this payment was not made in 1966-67, resulting in a shortfall of \$22,000.

Exhibit 96/55

414. Provision was made for the setting up of office facilities for departmental purposes at the Hawker de Havilland factory, for the use of a Wessex project officer. Although the facilities for departmental use were completed in January 1967, a claim was not received to permit payment in 1966-67. The claim was said to have been delayed because of a difference between Hawker de Havilland and the Department of Supply over the amount to be charged. At the time of our Inquiry, these problems had been resolved.

Exhibit 96/55
and Committee
File 1967/5

415. It was estimated that \$143,000 would have been needed by the Department of Supply for projects undertaken at the missile firing range at Jervis Bay. However, actual expenditure amounted to \$158,000, resulting in expenditure of \$15,000 above the estimate for this project. The requirement for jigs and tools to be supplied to the civilian repair organisation was overestimated by \$13,000 due to a delay in the receipt of publications from the United States Navy relating to the installation of test rigs, conversion of test cells and the provision of special type tools for the overhaul of tracker aircraft.

Exhibit 96/55
and Q. 1309

Aircraft Repair in Other Countries

Exhibit 96/55 416. An overall shortfall of \$29,000 occurred in respect of aircraft repairs in other countries. Provision was made in the Estimate for a new technical services agreement between the R.A.N. and Bristol Siddeley Engines Ltd. We were informed that the draft agreement was subject to protracted negotiation and, as a result, there was an under-expenditure of \$25,000.

Exhibit 96/55
Q. 1310 417. A new technical services agreement was re-negotiated in 1966-67 between the Royal Australian Navy and Rolls Royce Limited for a three year period. It was said that the fee provided for by the previous contract was \$20,000 a year and that provision for \$25,000 had been made for the new contract, having regard to the trend in costs and prices in Britain. In the event the fee was not changed in the new contract and a shortfall of \$5,000 occurred.

Exhibit 96/55 418. Based on an original estimate made by Westland Helicopters, provision was made for \$8,000 to cover the expenditure involved in a special feasibility study associated with the Wessex Mk.31B conversion. In the event, expenditure on this project amounted to only \$4,000. The witness admitted that when this estimate was formulated the Department sought an amount which it regarded as the highest possible figure to cover the cost of the feasibility study.

Q. 1311

Exhibit 96/55 419. Provision was made in the estimate for the conversion of two Gazelle Mk.102 engines by Rolls Royce to Mk.105C standard at a cost of \$16,000 each. The conversion of the second engine during 1966-67 was dependent upon the loan of a Ministry of Aviation Mk.105 engine. Although the loan of this engine was approved, it subsequently failed in flight with the result that the conversion of the second engine was deferred until 1967-68 and there was a consequent shortfall of \$16,000 in expenditure.

Exhibit 96/55
and Q. 1312 420. Provision of \$1,000 was made in the Estimates for the supply of Wessex Flight Control System drawings. However, finalisation of the design was not completed in 1966-67 and the amount remained unexpended. The departmental witness was unable to say what stage the drawings for this project had reached when the estimates were formulated. We were informed, however, that there had been delays in the whole Wessex programme because of problems that have been encountered in the design stage on the trial installation of one aircraft in Britain.

Exhibit 96/55 421. An amount of \$22,000 in excess of the Budget Estimate was expended in respect of the Wessex Mk.B.31B helicopter in Britain due to unexpected problems of design and development of the aircraft.

Hire of Aircraft for Gunnery Training and Fleet Workup

Exhibit 96/55 422. A shortfall of \$61,000 occurred in respect of the hire of aircraft for gunnery training and fleet workup. It was said that the fleet's require-

ments for air target towing were considerably lower than that provided in the budget mainly because of delays in ship refits caused by industrial delays in the dockyards which resulted in a reduction of time available for workups. The effect of this was the cancellation of the order for Boeing aircraft chartered in connection with radar trials, involving a shortfall of \$11,000. Expenditure in respect of the use of contractors' aircraft for target towing at West Head Gunnery Range in Victoria was also \$50,000 less than the amount provided for this purpose in the Estimates.

Inspection Charges

423. An increase of \$25,000 in expenditure occurred beyond the amount provided for in the Estimates. We were informed that this was due to increased payments made to the Department of Air as the Department of the Navy's share of the Quality Control Branch personnel of that Department employed on inspection duties. The increase in payments comprised three salary adjustments not included in the Budget Estimates. The first of these was in respect of Determination No. 104 of 1966 which provided for a 1½ per cent increase in margins, effective from February 1966 and paid in July 1966. The second adjustment was Determination No. 35 of 1967, involving a 2½ per cent increase in margins, effective from February 1967. The third salary adjustment was Determination No. 15 of 1967 which provided for an 11 to 14 per cent increase in margins for examiners, effective from February 1967 and paid in April 1967. While the evidence indicated that the first of these salary adjustments could have been provided for in the Budget Estimates, it was said that the adjustment occurred between the preparation of the Original Estimate and its subsequent refinement. The Public Service Board Observer, Mr Vanthoff, advised us that the Department had been notified of Determination No. 104 of 1966 in June 1966.

Exhibit 96/55
Q. 1314 and
Committee File
1967/5

(c) Plant Repairs

424. Expenditure of \$68,000 above the Estimate resulted from increased repair costs to the floating crane *Titan* located at Cockatoo Island Dockyard, New South Wales. We were informed that a survey had been made of the crane by the Department's technical advisers in 1964 and it was estimated that expenditure of \$70,000 would be needed to effect the repairs and maintenance considered to be necessary. Work on this crane commenced prior to 1966-67 and when it was stripped and work on it progressed into 1966-67 it became evident that it had deteriorated considerably more than had been originally envisaged. Subsequent to the formulation of the Budget Estimates, it was expected that extra funds would be required, but it was not considered necessary to apply for funds at the time of the Additional Estimates as it had become apparent that shortfalls in other sections of the vote would permit the extra expenditure to be absorbed.

Exhibit 96/55
and Q. 1315

Conclusions

425. In the case of this item Your Committee is satisfied that some of the factors causing a shortfall in expenditure were evidently beyond the control of the Department. These would include such matters as changes made in operational requirements which necessitated a re-arrangement of the refitting programme; delays in claim documentation while cost investigations were undertaken on behalf of the Department by the Department of Supply and delays in shipping refits occasioned by industrial delays in the dockyards concerned. In other cases, however, it appears that financial provision was made for work to be undertaken, when it should have been reasonably apparent that the completion of and payment for the work during the financial year concerned was doubtful. An example of this situation is the conversion of Wessex aircraft and Gazelle engines in Australia which was hampered by the lack of modification kits, leaflets, drawings and instructions which were to have been supplied by the manufacturer. The availability of this material should have been soundly assessed when the relevant estimate was being framed. Other examples of a similar nature include protracted delays in the formulation of an agreement between the Navy and Bristol Siddeley Engines Ltd before work could commence on aircraft repairs in overseas countries for which funds were provided in the Original Estimates. Provision was also made of \$1,000 in the Budget for the supply of Wessex Flight Control System drawings but these drawings were not completed during the year and the amount concerned remained unexpended.

426. In a third category are the re-negotiations in 1966-67 of the technical services agreement between the Navy and Rolls Royce Ltd and the feasibility study associated with the Wessex MK 31B helicopter conversion. In the former case the Department assumed that due to cost and price movements in Britain, Rolls Royce Ltd would increase its service fee from \$20,000 to \$25,000 per annum and accordingly provision was made at this higher level in the Original Estimates and prior to the re-negotiation of the contract. In the latter case \$8,000 was provided in the Original Estimates as a top figure which in the opinion of the Department would not be exceeded. In the event, however, the cost of the feasibility study amounted to only \$4,000. In these cases, in particular, Your Committee sees the unjustified inclusion in the Original Estimates of provisions that are no more than conjecture.

427. In making the foregoing remarks Your Committee is not unmindful of the difficulties confronting the Department in the formulation of realistic estimates for an item of this type. However, even in 1964-65 when the Department had recourse to the Additional Estimates a shortfall of \$183,064 occurred at the end of the financial year. In the two subsequent years, 1965-66 and 1966-67, when funds were not sought in the Additional Estimates, the shortfalls recorded on the item amounted to \$299,981 and \$719,283 respectively. These circumstances, and much of the evidence taken during our Inquiry emphasise again

the need for caution in framing the Original Estimates and point to the desirability of making greater use of the Additional Estimates if changed circumstances warrant such a course later in the financial year.

(vi) DIVISION 675: NAVAL CONSTRUCTION

Appropriation Act (No. 1) \$60,188,000: Expenditure \$51,689,274

428. This Division provides for the costs of purchase, construction and conversion of ships and support craft, including shipbuilders' costs, machinery and engineering equipment and naval and armament equipment and stores. Exhibit 96/57

429. The main shortfalls in expenditure under this item are summarised in Table No. 13.

TABLE No. 13: DEPARTMENT OF THE NAVY
DIVISION 675: SHORTFALLS IN EXPENDITURE
(1966-67)

Exhibit 96/57

	Amount
	\$'000
Lag in deliveries and payments	5,721
Deferment of requirements	1,338
U.S.A. credit arrangements	884
Delays in placement of orders	242
Delay in finalising technical information	290
Net shortfall in shipbuilder's work at naval dockyards	64
Total	8,539

Source: Department of the Navy.

430. We were informed that estimated expenditure in this Division is determined from estimates made of the individual projects involved in ship construction programmes. Annual estimates of expenditure within individual programmes are formulated and provided by individual contractors, and details of estimated expenditure are provided by naval dockyards. Should specialised equipment for a programme be provided by the Department of the Navy, the transfer of the material would be processed by the Supply Branch of the Department. We were informed that all estimates under this Division are received by the Ship Construction Division of Navy Office. Q. 1423

431. It was noted that expenditure had been \$4,002,634 less than the estimate for this Division in 1964-65 and \$9,174,396 less in 1965-66. We were informed that the shortfall in 1964-65 had been due partly to recruiting problems at the Dockyards and partly to delays in the delivery of and payment for equipment. The shortfall in 1965-66 was attributed to delays in the completion of specification and design requirements, delays in the placement of orders, changes in original plans, and in one instance a shortfall of \$828,000 was incurred because of inadequate capacity at the time at Williamstown dockyard. Details of the shortfall in expenditure for 1966-67 are given below. Q.'s 1424 and 1425

(a) *Lag in Deliveries and Payments*

Oberon Submarines

Exhibit 96/57

432. A shortfall of \$2,259,000 occurred in connection with contracts for the construction of Oberon submarines. It was stated that the contract for construction of the submarines in Britain was arranged by the Ministry of Defence (Navy) and it was agreed that the British Ministry would be kept in funds in advance of their requirements to settle with the contractors. The amount provided in the Budget was based on overall phasings for the project as advised by the British Ministry in 1965 and re-affirmed by the Official Secretary, London, in August 1966. We were informed that it began to become apparent towards the end of 1966 that if the intended schedule was to be completed the proposed advances would be significantly in excess of the offset for actual payments made to the contractors. It was indicated that inquiries were made prior to January 1967 seeking advice from the British Ministry of Defence regarding the claims. The reply received confirmed the delay but did not indicate any reason for it. The British authorities suggested that if the Department of the Navy was concerned about the delay in presentation of claims, instalments should be withheld. Subsequently, during the Additional Estimates review for 1966-67, a shortfall of \$1,746,000 was planned in respect of these claims. The balance of the shortfall involved \$314,000 in respect of armament stores planned for shipment late in 1966-67, but which were not shipped until early July 1967 and \$199,000 in respect of delays in delivery of equipment and spares being obtained from a number of orders placed in Britain.

Q. 1426

Exhibit 96/57

Q.'s 1427 to 1433

433. We were informed that there were several items involved in the delayed shipment of armament stores. The main one, however, related to an order for torpedoes. This order was valued at \$735,000 and it was expected that expenditure during 1966-67 would amount to \$551,000. However, a shortfall of \$371,000 occurred on this order and it was said that no reasonable explanation had been given for the delay in delivery. With respect to other delays in the delivery of equipment and spares from British manufacturers, it was said that the Department of the Navy relies to a large extent on the British Ministry of Defence to organise the acquisition of spare parts and it was on their advice that provision was made in the budget for an expenditure of \$370,000. However, claims were only received in respect of \$277,000. We were informed that the Department of the Navy has representatives in London who are responsible for the progression of deliveries. In this instance, a precise reason for the delay in deliveries was not known.

Patrol Boats

Exhibit 96/57
Q.'s 1433 to 1436

434. A shortfall of \$1,779,000 occurred in respect of patrol boats. In connection with this we were informed that an order had been placed late in 1965 with a consortium comprising Evans Deakin & Co. Pty Ltd, Brisbane, and Walkers Ltd, Maryborough, Queensland for the

construction of 20 patrol boats. The Budget estimate was related to the planned delivery dates current at that time and to expenditure phasings as advised by the shipbuilders. Because of production difficulties, construction progress as planned was not achieved and there was a shortfall of \$1,815,000. This was partly offset by overexpenditure of \$36,000 in respect of accelerated payments on main engines. It was said that these production difficulties became evident in about mid-1966 and became acute in December of that year.

Ikara—Fleet Fitting

435. A shortfall of \$449,000 occurred in respect of *Ikara* fleet fitting. Although it had been estimated that \$218,000 would be needed for progress deliveries of fuses and warheads from Britain, actual expenditure amounted to only \$25,000, because of manufacturing delays which were advised by the Official Secretary in December 1966. A further shortfall of \$380,000 was due to delay by the United States Navy in rendering claims for torpedoes which although available in the United States of America were not shipped before the end of the financial year. It was said that special security arrangements are necessary for the shipment of security classified material. We were told that appropriate action in the form of the exchange of cables had been taken to expedite shipment of the material and to have claims submitted. In this instance, however, although the torpedoes were ready for shipment in December 1966, they remained in the custody of the United States authorities. It was decided in April 1967 that delivery in H.M.A.S. *Melbourne* in October 1967 would be acceptable. The shortfall in respect of these items was partly offset by increased expenditure of \$124,000 incurred on a number of orders for this equipment which had been arranged by the Department of Supply.

Exhibit 96/57
Q.'s 1437 to
1440 and
Committee File
1967/5

Escort Maintenance Ship

436. A shortfall of \$377,000 occurred in respect of this ship which was under construction at Cockatoo Island Dockyard and was due for completion late in 1967. We were informed that the Budget Estimates included an amount of \$1,210,000 for payments against orders for supplies of equipment and stores for this vessel. However, expenditure amounted to only \$833,000. The shortfall was due partly to delays in the delivery of and payment for eleven orders and included a reduction of \$142,000 in the value of stores required by the shipbuilder. The remainder of the shortfall occurred in respect of spares for 750 and 1,250 diesel generators, for which it had been estimated that \$273,000 would have been required. Orders for the generators had been placed with overseas manufacturers, but other stores were to be issued from stocks held by the Department of the Navy and provided for by Division 675. The shortfall was partly offset by a net increase in expenditure of \$17,000 on a large number of other orders.

Exhibit 96/57
Q.'s 1441 to
1444

Destroyer Escorts

Exhibit 96/57
and Q.'s 1445
to 1447

437. The Budget Estimates provided for expenditure of \$5,130,000 on equipment and stores in respect of one destroyer escort being constructed at Cockatoo Island Dockyard, New South Wales and one at Williamstown Dockyard, Victoria. Actual expenditure amounted to \$4,970,000 the unexpended balance of \$160,000 being related to a number of orders placed locally and overseas. These included an overestimate of \$150,000 for stores which were to be supplied to the ship-builders, but which were not required because of delays in construction.

Charles F. Adams Class Destroyers (D.D.G.)

Exhibit 96/57
Q.'s 1448 and
1449

438. A shortfall of \$224,000 occurred in connection with these destroyers. Provision was included in the Budget Estimates for freight charges totalling \$306,000 in respect of base spares, the charges being payable to the Royal Australian Navy's freight forwarder in the United States of America. This company rendered claims only to the value of \$85,000 in time for payment in 1966-67. We were informed that the freight forwarding company, Universal Trans-Continental, is the largest freighting organisation in the United States, and that the contracts are arranged by the Australian Consul-General in New York. It was said that in spite of the regular arrival of equipment and also of efforts made to obtain outstanding claims, the contractor had been very slow in rendering them. A further shortfall of \$3,000 occurred in respect of orders for equipment.

Harbour Craft and Fleet Boats

Exhibit 96/57
and Q.'s 1450
and 1451

439. A shortfall of \$124,000 occurred in respect of these vessels. Provision of \$255,000 was made in the Budget Estimates for the purchase of two inshore minesweepers from Britain, together with expenses associated with packaging and freighting. Actual expenditure in Britain amounted to \$179,000, the variation being due to a reduction in estimated costs and to the non-receipt of a claim in respect of freight charges for the second boat. There was also an underexpenditure of \$48,000 in connection with payments for items, mainly engines, for the aircraft water lighter being constructed at Cockatoo Island Dockyard, New South Wales. It was said that \$50,000 had been provided for freight and handling charges for each boat and that expenditure of only \$32,000 had been incurred on one. We were told that numerous requests had been made to the liaison staff in London to pursue outstanding claims scheduled for payment in 1966-67.

Darings Extended Refit

Exhibit 96/57

440. Lags in deliveries and hence in payments on a number of orders for which \$231,000 had been provided but only \$58,000 expended led to a shortfall of \$173,000.

H.M.A.S. Melbourne Extended Refit

441. Provision was made in the Estimates for expenditure of \$270,000 in respect of a number of orders for equipment connected with this refit. Due to lags in deliveries, however, a shortfall of \$191,000 occurred. Exhibit 96/57

Other Projects

442. A net expenditure of \$15,000 above the Estimates occurred in respect of three projects. A \$3,000 shortfall occurred on type 12 frigates whilst overexpenditure of \$7,000 occurred on the survey ship H.M.A.S. *Moresby* and \$11,000 in respect of ton class minesweepers. Exhibit 96/57

(b) Deferment Requirements

443. Actual expenditure on an extended refit for 'Daring' class destroyers was \$863,000 less than the amount estimated. It was said that subsequent to the preparation of the Budget Estimates, the overall requirement for this project was significantly altered following a decision to vary the role previously planned for these vessels. This resulted in the deletion of expensive weapons systems and a subsequent shortfall of \$724,000 on planned expenditure for 1966-67. In addition planned expenditure on other equipment and stores in 1966-67 totalling \$139,000 was deferred pending clarification of detailed requirements in accordance with the altered role of the ships. Exhibit 96/57
and Q's 1452
to 1456

444. We were informed that construction of a self propelled ammunition lighter had been planned to commence in December 1966 and to be completed late in 1967. However, subsequent to the preparation of the Budget Estimates and following a review of requirements, it was decided that because other projects were required more urgently, this work should be deferred indefinitely. A shortfall of \$218,000 was involved. Exhibit 96/57
and Q's 1457
and 1458

445. A shortfall of \$148,000 was incurred in connection with planned operational evaluation of the I.K.A.R.A. Weapons System. It was said that due to operational requirements, it had not been practicable to allocate a ship to meet the agreed timetable for the use of United States Navy range facilities and that the project has been deferred. Exhibit 96/57

446. It had been planned to place an order in December 1966 for six 33 ft utility boats, payments for three being effected in 1966-67. Following a subsequent detailed review of requirements after the Budget Estimates had been prepared, a decision was made to defer the order until an evaluation of a prototype could be made. A shortfall of \$79,000 was involved. Other projects which were deferred resulted in a further shortfall of \$30,000. Exhibit 96/57
and Q's 1459
to 1460

(c) United States Logistic Credit Arrangement

447. We were informed that the Budget Estimates provided for three items which were later transferred to the United States-Australia Logistic credit arrangement, resulting in a shortfall of \$844,000. This Exhibit 96/57
and Q's 1576,
and 1578 to
1580

transfer was made in March-April in conjunction with an annual review of the logistic credit arrangements. It was claimed that the transfer was effected because of the availability at that time of credit purchase facilities.

(d) Delays in the Placement of Orders

Exhibit 96/57
and Q. 1577

448. Delays in the placing of orders resulted in a shortfall of \$242,000. Of this amount \$110,000 concerned progress payments on construction of two small harbour tugs. It was planned that this order would be placed in September 1966 with completion about October 1967. However, because of delays in the finalising of tenders, which included requests for new tenders, the contract, at the time of our Inquiry, had not been finalised, mainly because of technical requirements. The remaining \$132,000 related to delays in the placing of orders for several other projects, the largest shortfall in any one being \$37,000.

(e) Delays in Finalising Technical Information

Exhibit 96/57
and Q. 1581

449. Delays in finalising technical information were responsible for shortfalls of \$140,000 related to an aircraft water lighter, \$120,000 related to Charles F. Adams Class destroyers (D.D.G.) and \$30,000 related to other projects. We were told that delivery of the aircraft water lighter was required in October 1967 and that delays occurred at the commencement of the project because of the need for clarification of detailed requirements. Although a shortfall had occurred on this project in 1966-67, the shipbuilder had advised the Department that the October 1967 delivery date would be met.

Exhibit 96/57
and Q.'s 1582
and 1583

450. In connection with the Charles F. Adams destroyers, the Department had planned to place on order in October 1966 for spares required to maintain *Tartar* missiles on H.M.A.S. *Brisbane*. Ordering action was delayed, however, pending further technical investigation of the requirement. We were informed that all naval operational equipment is subject to constant examination, modification and change and that the performance of the *Tartar* missiles is still the subject of appraisal in America by the representatives of the Department in conjunction with the officials of the United States Navy. Because of this the order for spares is being delayed until the last possible moment in order to gain the benefit of modifications.

Exhibit 96/57

451. The remaining \$30,000 of the shortfall in expenditure arose from delays in finalising technical information in relation to the construction of flat top lighters.

(f) Shipbuilder's Work at Naval Dockyards

Exhibit 96/57

452. A net shortfall of \$64,000 occurred in respect of shipbuilder's work at Naval dockyards. This amount comprised a shortfall of \$363,000 in respect of destroyer escorts, and over-expenditure of \$207,000 in respect of *Ikara* fleet fitting and \$92,000 related to other projects.

453. With regard to the destroyer escorts, we were informed that there was a shortfall of \$549,000 in respect of the Budget Estimate for expenditure at Williamstown Dockyards, Victoria, on the construction of H.M.A.S. *Swan*. This was due partly to the necessity to transfer resources to other projects in order to ensure scheduled completion of projects of high priority. This also meant that the quantity of materials issued for this project was less than had been anticipated.

454. Provision was made in the Budget Estimates for \$40,000 to be made available for progress payments in respect of 26 ft work boats for the destroyer escorts project. However, because staff requirements had not been finalised, orders were not placed according to the plans that had been made.

455. Overexpenditure of \$226,000 was incurred in respect of H.M.A.S. *Torrens*, which was under construction at Cockatoo Island Dockyard, New South Wales. It was said that in assessing the estimate for this project, the amount proposed by the shipbuilder had been reduced by \$226,000 to provide for the refit of H.M.A.S. *Supply*. In fact, however, this amount was subsequently restored from shortfalls within the overall provision made for the destroyer/escorts project.

456. We were informed that since the preparation of the Budget Estimates there had been an increase in the cost of installing *Ikara* missiles in H.M.A.S. *Yarra* and H.M.A.S. *Parramatta*, with resultant expenditure increases in 1966-67. Other variations, the largest of which involved an overexpenditure of \$32,000, also occurred in shipbuilder's work for other projects.

Conclusions

457. Your Committee finds that in some areas where shortfalls occurred in expenditure, the circumstances were beyond the control of the Department. This, for example, appears to be the case in regard to the Oberon submarines where the Department was dependent upon estimates supplied to it by the British Ministry of Defence (Navy); delays in the local production of patrol boats due to production difficulties in the shipbuilding yards and delays associated with the supply of *Ikara* fleet fittings from Britain and the United States of America.

458. Your Committee believes, however, that three matters require specific comment. The evidence showed that funds had been provided in the Original Estimates for three items which, due to the availability of credit purchase facilities, were transferred in March and April to the United States-Australia logistic credit arrangement. This resulted in a shortfall of \$844,000 in the item. We have already commented on these credit arrangements in connection with Item 742/01 administered by the Department of Air. We believe that as it was known in March 1965 that these arrangements would be operative in 1966-67, the Department was not justified in making provision in the Original Estimates in respect of the three items which were transferred to these arrangements.

459. The second matter requiring specific comment relates to delays that occurred in connection with two small harbour tugs and which involved a shortfall of \$110,000 in progress payments under the item. The estimates for this work were framed on the basis that the order would be placed in September 1966 for completion about October 1967. However, the tenders for this work were delayed and, in fact, had not been completed at the time of our Inquiry. In these circumstances it is clear that the funds provision for this project should have been withheld pending the Additional Estimates.

460. Thirdly, delays in finalising technical information were responsible for a shortfall of \$290,000 comprising \$140,000 in respect of an aircraft water lighter, \$120,000 related to the Charles F. Adams class destroyers and \$30,000 related to other projects. It is clear to Your Committee that in regard to the water lighter and the work associated with the destroyers financial provisions was made prematurely.

461. Your Committee notes that this item experienced shortfalls of \$4,002,634 in 1964-65, \$9,174,396 in 1965-66 and \$8,498,726 in 1966-67 and in none of those years were further funds sought in the Additional Estimates. We would commend to the Department a more realistic approach to the acquisition of funds in the Original Appropriation measures.

(vii) DIVISION 687/1/01: OTHER ADMINISTRATIONS RECOVERABLE
EXPENDITURE—EXPENDITURE—UNITED KINGDOM

Appropriation Act (No. 1) \$2,612,000, *Appropriation Act (No. 3)*
\$313,000: *Expenditure* \$2,600,407

Exhibit 96/58
Q. 1616

462. This item provides for expenditure on a repayment basis for stores and services on behalf of the United Kingdom.

463. We were informed that the original estimate for this item was based on the expenditure of previous years and on specific requirements which were known when the estimate was formulated. Advice received from the British Ministry of Defence (Navy) indicated that an estimated \$1,134,000 would be required for expenditure on provisions required from Australia for the Singapore area in 1966-67. We were told that the Department of the Navy did not know how the British estimate was formulated but that at the beginning of the year, the British authorities notify the Department of the purchases that they require to be made on their behalf. These estimates are subsequently reviewed during the year. Actual expenditure was in fact \$292,000 less than the amount estimated. We were informed that it was known in February 1967 that the original estimate would be underspent.

464. In November 1966 eighteen ships of the Royal Navy visited Australian ports. Because early advice of these projected visits had not been received, however, provision had not been made for them in the Original Estimates. It was said that in late October or early November 1966,

the Department was advised of the visits and was asked to provide \$250,000 for pay and pay advances, \$26,000 for armament stores, \$22,000 for fares and travelling within Australia and \$15,000 for miscellaneous items. To cover probable extra expenditure resulting from this visit a further amount of \$313,000 was obtained in the Additional Estimates.

465. The shortfall of \$324,593 on the item as at 30 June 1967 was a nett figure resulting from shortfalls and overexpenditures. Shortfalls occurred in respect of pay and allowances for R.N. personnel of \$47,000 and freight \$52,000. It was said that the main reason for the latter was the lower quantity of provisions sent to Singapore. Other examples of underexpended items given in evidence were those in respect of pay and advances, and provisions. With regard to the former, \$1,150,000 had been provided in the Original Estimates and \$250,000 in the Additional Estimates making a total of \$1,400,000 while actual expenditure amounted to \$1,350,000. In the case of provisions, the total estimated expenditure of \$1,134,000 had been provided for on the Original Estimates, but actual expenditure amounted to only \$842,000.

466. Overexpenditure occurred on a number of items including naval stores, armament stores, ship repairs, and medical and travelling expenses. It was said that estimates for these items are largely unavoidably tentative because complete and accurate data on most of the items is unavailable.

467. In evidence the Department emphasised that its estimates for this item are based on requests made by the British authorities concerned and that it is able to judge its financial position on the Item only on the basis of expenditure that has occurred. It illustrated its problem by mentioning that even after the British authorities have requested that funds be provided for the item, they may decide to acquire their supplies from sources other than Australia. The Treasury Observer, Mr Balfour, indicated that recoverable expenditure such as that provided for by this item is cancelled out in the overall Budget to the extent that recoveries are made in the same financial year.

Conclusions

468. Your Committee notes that this item relates to recoverable expenditure from the United Kingdom and, as such, is cancelled out in the overall Budget to the extent that recoveries are made in the same financial year. Not all recoveries can be achieved in the year of expenditure, however, and therefore in any given year, recoverable expenditure can have a definite budgetary effect and the manner in which estimates are formulated for such items is therefore of consequence to Your Committee.

469. In the present case, the Department is dependent when framing its estimates, on advice that it has received from the British Ministry of Defence (Navy). However, in the present case, the Department sought a

further amount of \$313,000 in the Additional Estimates because visits by Royal Naval Ships occurred which had not been provided for in the Original Estimate. In fact, a shortfall of \$324,593 occurred on this item. As shortfalls had occurred on the item in 1964-65 and 1965-66 Your Committee believes that the Department should have sought an overall revised estimate of requirements from the British Ministry of Defence (Navy) in relation to this item when proposing to seek further funds in the Additional Estimates.

(viii) DIVISION 687/2/03: OTHER ADMINISTRATIONS—RECOVERABLE EXPENDITURE, RECEIPTS—OTHER COUNTRIES

Appropriation Act (No. 1) \$56,000, Appropriation Act (No. 3) \$29,000: Receipts \$66,426

Exhibit 96/59
and Q. 1628

470. This item records receipts for stores supplied and services rendered to the Administrations of countries other than the United Kingdom and New Zealand.

Exhibit 96/59
and Q. 1628

471. We were informed that the shortfall in receipts was due almost entirely to the non-payment of claims amounting to some \$17,000 served on the Malaysian Government up to three months before the end of the financial year. The remaining shortfall in receipts represents a number of claims on other countries which were unpaid at 30 June 1967.

Q.'s 1629 to
1632

472. It was noted that the amount included in Appropriation Acts (Nos 1) and (3) in respect of Division 687/1/03 and 687/2/03 were identical. We were informed by the Treasury Observer, Mr Pond, that the appropriations in Sub-division 2 represent the amounts of advance or receipts which are expected to be received in respect of expenditure incurred under Sub-division 1 for the corresponding item. He said that warrants are also issued in respect of these anticipated receipts, and that as with other expenditure further receipts may be required during the year. For this reason access to the Additional Estimates is provided. He said that it was unlikely that expenditure would be incurred on behalf of another country and claims not made, but that the reverse is often the case, that is, cash is received in the year prior to that in which the expenditure occurs.

Conclusions

PP. 128 of
1967

473. In its Inquiry into expenditure from the Advance to the Treasurer, 1966-67, Your Committee examined the Department of the Navy in respect of Item 687/1/03 which is the expenditure counterpart item of this item which relates to receipts for recoverable expenditure. Your Committee accepted the Department's explanation in respect of Item 687/1/03 and it accepts the explanation relating to Item 687/2/03. However, there are two observations connected with these items that we wish to make. In connection with Item 687/1/01 which we discussed

earlier in this Report we indicated that not all recoveries can be achieved in the year of expenditure and therefore in any given year, recoverable expenditure can have a budgetary effect. The circumstances of Items 687/1/03 and 687/2/03 are a case in point. In 1966-67, expenditure amounted to \$122,495 on the former item but an amount of only \$66,426 was recovered under the latter item. Allied to this we would mention that the shortfall experienced under Item 687/2/03 arose from the non-payment of claims rendered by the Department on overseas Governments. Because of the potential budgetary effect of the two items referred to, we believe that Department should pursue claims relating to recoverable expenditure with the same force that they apply to the pursuit of claims for expenditure under other items where a failure to obtain claims for payment and process them can result in a shortfall of expenditure at the end of the financial year.

CHAPTER 14—POSTMASTER-GENERAL'S DEPARTMENT

(i) DIVISION 820/3/01: ADMINISTRATIVE—STORES AND MATERIAL— OFFICE REQUISITES AND EQUIPMENT, STATIONERY AND PRINTING

Appropriation Act (No. 1) \$3,669,000, *Appropriation Act (No. 3)*
\$260,000: *Expenditure* \$3,688,186

Exhibit 96/60,
Q's 1527, 1528
and 1537

474. This appropriation included provision for the purchase of electronic computing equipment and associated automatic data processing equipment. The estimates for this item are made by State Branch Offices of the Department. In the case of office machines, typewriters, safes and other equipment of this type the estimate for each individual item is made by the office for which the item is required. These estimates are collated into a Commonwealth programme, which according to the ability to fund would be implemented or deferred. It was said that in the case of office requisites and stationery there is not a great deal of variation in expenditure, but expenditure on printed matter usually fluctuates with the volume of business. In 1966-67, however, the effect of the conversion to decimal currency which required the replacement of forms and stationery was still being felt. Of the total amount appropriated under this item \$964,000 related to electronic computing equipment and the balance of the expenditure, in approximate terms was \$431,000 for office machines; \$39,000 for typewriters; \$484,000 for safes and other office equipment; \$394,000 for office requisites; and \$1,629,000 for stationery and printed matter.

Exhibit 96/61

475. Because of the circumstances associated with the need during 1966-67 to obtain additional funds of \$260,000 and the final shortfall of \$240,814, an explanation of the manner in which some of the funds voted initially under this heading are eventually reflected in appropriations under Division 974/05, was submitted in evidence.

476. The original provision under Division 820/3/01 was \$3,669,000 and included \$964,000 for the purchase of electronic computing and associated A.D.P. equipment. In the Treasury system of accounts, under which the Post Office operates, this equipment is regarded as a capital charge and the amount involved is therefore appropriated under Division 974—Capital Works and Services, Item 05. The corresponding amount shown under Division 820/3/01 is transferred, through Item 12 of the transfer items shown in the Estimates to Item 05 of Division 974.

477. After this and other transfers as set out in the Estimates, only a net figure is voted under Sub-Division 3, representing the net Parliamentary Appropriation for all items not involved in transfer to, and subsequent appropriation under, other Divisions or Sub-Divisions of the Estimates. This procedure is shown in Table No. 14.

TABLE No. 14: POSTMASTER-GENERAL'S DEPARTMENT
ITEMS 820/3/01 TO 06 AND 974/01 TO 05: APPROPRIATIONS AND EXPENDITURE
(1966-67)

Division and Item	Appropriations		Expenditure	
	\$	\$	\$	\$
<i>Division 820—Sub-division 3</i>				
Item 01—				
Office machines, typewriter, etc.		2,965,000		2,976,576
A.D.P. equipment		964,000		711,510
		3,929,000		3,688,186
Items 02 to 06		160,625,000		160,144,271
Gross		164,554,000		163,832,457
Less Transfers to:				
Transfer Items 11, 13 and 14—				
Engineering Services (Sub-division 5), Post Office Stores and Services Trust Account, Broadcasting and Television Maintenance (Division 842)		35,560,000		34,654,456
Transfer Item 12—				
Capital Works and Services—				
A.D.P. equipment	964,000		711,510	
Other materials	118,219,000		118,724,922	
		119,183,000		119,436,432
Total Transfers		154,743,000		154,090,888
Net Appropriation		9,811,000	Net Expenditure	9,741,569
<i>Division 974—Capital Works and Services</i>				
Items 01 to 04—Telephone and Telegraph services, motor vehicles, Postal plant and equipment		183,756,000		183,480,498
Item 05—				
A.D.P. equipment	964,000		711,510	
Engineering moveable plant, welfare equipment	6,186,000	7,150,000	6,297,614	7,009,124
Total		190,906,000		190,489,622

Source: Postmaster-General's Department.

478. The amount of \$260,000 appropriated in Act No. 3 of 1966-67 was to meet increased costs of printed matter and stationery. This amount formed part of the final net appropriation of \$9,811,000 for Sub-Division 3 of which \$9,741,569 was expended, the net underspending on Sub-Division 3 of \$69,431 being mainly on Item 02—Other General Stores, for which \$4,466,000 was appropriated. The additional appropriation of \$260,000 for printed matter, stationery, etc., under Item 01 was fully spent in accordance with the purposes for which it was voted. We were told that the contract for the electronic equipment which is being installed primarily to produce telephone accounts as an automatic process has not been varied and the equipment has been delivered progressively since the contract was placed early in

Exhibit 96/61

Q's 1530 to 1532

1964. The application of automatic data processing to telephone accounts was said to be rather complex and the actual composition of the equipment to be used was not known at the outset. It was claimed that although the total cost of the equipment was reasonably firm, changes have taken place in the component parts of the equipment and to this extent deliveries of equipment have been progressive. At the time of our Inquiry, all the 'on-line' equipment had been delivered and was undergoing final tests but some peripheral equipment had still to be delivered.

Exhibit 96/60
and Q. 1534

479. It was claimed that when expenditure on Item 01 was reviewed for the purposes of the Additional Estimates the funds involved for computer expenditure were in accordance with actual and expected contractual arrangements. Under the terms of the contract entered into for the supply of a computer, the Department was required to make payments comprising 50 per cent upon delivery, in 1964-65, and during 1966-67, to effect payment of 40 per cent of the cost after completion of acceptance tests and 10 per cent, approximately \$192,000, following six month's satisfactory performance. Part of the equipment covered by the 40 per cent payment commitment proved to be unsatisfactory. Pending the acceptance of replacement items, payments amounting to approximately \$50,000 were deferred until 1967-68. Payment of the final 10 per cent of the cost was contingent upon the contractor being able to demonstrate the computer's ability to perform specified tasks. This requirement was not fulfilled during the year and involved the deferment of payment of \$192,000 until 1967-68. It was said that the amount of money involved in this contract is such that the Department was not prepared to take any risk in the capacity of the equipment to perform the tasks required of it. For this reason, the final payment was not made until this capacity could be demonstrated by the contractor. Staffing problems experienced by the contractor were responsible for some delays in the acceptance of this equipment.

Q. 1534

Conclusions

480. Your Committee would commend the Department on its cautious attitude in relation to the acquisition of Automatic Data Processing equipment referred to in evidence in relation to this item. In this regard we note that a payment of \$50,000 was withheld as part of the equipment supplied proved unsatisfactory and payment of a further \$192,000 was deferred as the contractor was unable to demonstrate the computer's ability to perform specified tasks. At the same time it is clear that when the Original Estimates were formulated for this item it was implicitly assumed that these problems would not arise and consequently, funds were provided to enable the payments to be made. As events turned out, however, it is clear that the Department should have recognised that a real doubt existed as to whether these payments would be made during the financial year concerned.

(ii) DIVISION 974/05: CAPITAL WORKS AND SERVICES—OTHER
PLANT AND EQUIPMENT

Appropriation Act (No. 2) \$6,950,000, *Appropriation Act (No. 4)*
\$200,000: *Expenditure* \$7,009,124

481. This item provides for the cost of equipment necessary for the essential maintenance and the completion of the planned capital works programme. It includes items such as mechanical aids, workshops plant, moveable plant and tools, computers and peripheral equipment and cafeteria and welfare equipment. Exhibit 96/62

482. It was noted that an amount of \$964,000 was provided in Appropriation Act (No. 1) for Division 820/3/01, for electronic computing equipment and that a similar amount was provided in Appropriation Act (No. 2) for like equipment under the Capital Works and Services Vote. It was explained by the witness that all of the Department's expenditures including capital, operating and maintenance expenditure, are recorded on the ordinary services appropriations in the first instance. It was said that the components mentioned are readily identifiable because they are recorded as separate items of the ordinary services appropriation and as such are transferred in their entirety to the capital works and services appropriation. It was claimed that there is no difference in the amounts as estimated under the ordinary services items and those transferred out and finally recorded as capital items. It was noted, however, that a difference arises from the fact that some items appear in the Appropriation Act (No. 1) while others are more appropriately placed in Appropriation Act (No. 2). Given the value of the appropriations involved the witness was asked to indicate the criteria used to determine which items would remain in one account and which would be transferred to another. In reply we were informed that there are very few composite items where a judgment needs to be made as to what is, and what is not, to be classified as capital expenditure. It was said that in determining the capital works spread, the amounts involved are agreed to at the point of decision as to what capital appropriation is to be made and that this is reflected back into the ordinary services appropriation. It was said, however, that while there is a degree of flexibility within the two items the composition of the items which contains the A.D.P. equipment is not similar. Q.'s 1547 to
1550 and 1556

483. The Observer for the Department of the Treasury, Mr Smith, indicated that it had been agreed with the Postmaster-General's Department that Automatic Data Processing equipment should be classified as capital equipment. He indicated that the Treasury Directions are not clear as to whether office machines include computers and therefore whether this equipment should be treated as an ordinary services item or as a capital item. Office machines, however, are classified as ordinary services, in the Treasury Directions. We were informed by Mr Balfour, the Treasury Observer, that criteria for determining what should be included in Appropriation Act (No. 2) were set out in the Treasurer's Q.'s 1551 and
1553

second reading speech on the 1965-66 Supply Appropriation measures. The criteria include plant and equipment which is clearly definable as capital expenditure.

Q. 1554

484. Mr Balfour also indicated that in the case of the Postmaster-General's Department, Appropriation Bills are virtually used as costing documents. We were informed that a Government decision had been made recently, to become effective in the 1968-69 financial year, for the Postmaster-General's Department to have its own Trust Account. It was claimed that when this account becomes operative the questions under discussion would be resolved.

Exhibit 96/62

485. The original distribution of funds between the components of this item was determined having regard to the requirements of the various Post Office works programmes and the latest available delivery data from contractors. However, final acceptance testing of the computer installation was not completed prior to the 30 June 1967, and expenditure was accordingly lower than expected. On the other hand it was necessary to accelerate the delivery of special earth-moving equipment required for major projects in New South Wales and Western Australia. This had the effect of offsetting to some extent the shortfall of \$240,000 on the computer installation.

Q. 1562

486. The accelerated delivery of this equipment was said to have arisen from the need to continue progress on the east-west broad band telephone route. It had been found that field staff in Western Australia working on the project had reached a stage where some of the equipment expected early in July could be effectively used earlier.

Q. 1556

487. It was said that in the formulation of the estimate for this item the amount provided for electronic computing equipment is a contractual figure which virtually determines its own level and that a figure for equipment to be used in the capital works programme is determined by the level and composition of the capital works programme.

Q.'s 1564 and 1565

488. It was also stated that the amount appropriated in the Additional Estimates was related to the needs of the east-west telephone route and that at the time these estimates were formulated it had been expected that the amount appropriated for electronic equipment would be fully expended. In fact, however, expenditure on the computer was some \$240,000 less than had been expected and it was not until early June that it became apparent that this expenditure would be lower than had been anticipated.

Conclusions

489. Your Committee accepts the Department's explanation. At the same time we note from the observations made in relation to the definition of capital equipment that the Treasury Directions are not precise on the question of whether or not computers are defined as office equipment. We believe that, having regard to the increasing significance of computers in departmental operations, the Department of the Treasury should examine the Directions concerned with a view to removing any ambiguity that may be found to exist.

CHAPTER 15—DEPARTMENT OF PRIMARY INDUSTRY

(i) DIVISION 380/2/02: DEPARTMENT OF PRIMARY INDUSTRY— ADMINISTRATIVE—ADMINISTRATIVE EXPENSES—OFFICE REQUISITES AND EQUIPMENT; STATIONERY AND PRINTING

*Appropriation Act (No. 1) \$47,000, Appropriation Act (No. 3)
\$2,500: Expenditure \$45,743*

490. The purpose of this item is to provide for office machines and equipment, library purchases and subscriptions, printing of publications such as 'Income Tax for Farmers and Graziers', Agricultural Council Reports, and office requisites and stationery. The shortfall in expenditure under this item by location is shown in Table No. 15.

Exhibit 96/63
and Q. 1983

Q. 1983

TABLE No. 15
DIVISION 380/2/02: SHORTFALL IN EXPENDITURE:
BY LOCATION
(1966-67)

Location	Amount
	\$
Central Office	2,596
Queensland	552
South Australia	11
Western Australia	241
Tasmania	4
London Sub-Treasury	80
New York Sub-Treasury	273
Total	3,757

Source: Department of Primary Industry.

491. The Additional Appropriation under this item was made for the purchase of technical books and publications to be used mainly in connection with the Department's veterinary meat inspection service. The books were required to enable veterinary officers located at registered meat export establishments to have reference facilities related to meat inspection, readily available. The request to purchase the material was made by the Veterinary Division of the Department in November 1966 and Treasury approval was sought in December. Orders for the books were based on the advice of departmental technical officers and librarians that the books would be available.

Exhibit 96/63
and Q.'s 1967
and 1987

492. When the Additional Estimates were prepared it was confidently expected that delivery of the material would be completed and accounts finalised before the end of the financial year. Orders for the books were placed in January, February and early March 1967 but it was found subsequently, that a good deal of the specialised material sought was subject to delivery or re-print or revision. One substantial order placed overseas was subject to delays for reasons said to be known only to the

Exhibit 96/63
and Q.'s 1970
to 1973

supplier. This, together with the delay by overseas suppliers in rendering accounts brought about a shortfall in expenditure of \$3,757. Actual expenditure in respect of the publications amounted to \$873. In regard to this matter the witness explained that when the purchases were being made the departmental librarian was on furlough and there were no trained librarians available. Hence the existing staff had to endeavour to obtain the supply of the literature on the basis of the very limited information available to it.

Q. 1974

493. In regard to the non-rendition of accounts we were informed that overseas suppliers had been requested to lodge their invoices with the Department during May. When claims were not received letters were forwarded in May asking that they be lodged not later than 12 June or as soon after that date as possible. We were told that overseas suppliers do not always respond to correspondence and that it is not unusual for publishers to supply an order in part but to withhold the claim until it has been fully filled.

Q.'s 1981 and 1982

494. There was a further shortfall in expenditure of \$1,100 under this item in respect of the publication of reports for the Australian Agricultural Council. Only one instead of the usual two reports were published due to the delay by State Government Departments in the return of Minutes of Evidence for publication in sufficient time to place them with the Printer and have the publication completed and paid for.

Conclusions

495. Your Committee notes the circumstances under which the Department sought to obtain literature from overseas sources for its Veterinary Division. We believe that, in the absence of the departmental librarian, the assistance of other librarians might have been sought, particularly on the question of availability of the material required, before funds for these purchases were sought in the Additional Estimates. We accept, however, that reasonable action was taken by the Department to obtain outstanding accounts for payment and we accept the explanation tendered in relation to publications on behalf of the Australian Agricultural Council.

(ii) DIVISION 383/1/01: DEPARTMENT OF PRIMARY INDUSTRY—
ADMINISTRATION OF THE COMMERCE (TRADE DESCRIPTIONS)
ACT—SALARIES AND PAYMENTS IN THE NATURE OF SALARY—
SALARIES AND ALLOWANCES

Appropriation Act (No. 1) \$2,709,000, *Appropriation Act (No. 3)*
\$149,400: *Expenditure* \$2,730,569

Exhibit 96/64

496. The purpose of this item is to provide for the salaries and allowances of permanent staff engaged in the administration of the Commerce (Trade Descriptions) Act.

497. At the time of preparation of the 1966-67 Estimates of Expenditure negotiations were in course with the Public Service Board for the permanent appointment of 183 meat inspectors, who were to be drawn from the exempt staff. It was said that as the actual date of permanent appointment of the officers could not be pre-determined, provision was made in Item 381/101 for the cost of the additional permanent appointments for up to one-half year.

498. The Treasury Observer, Mr Balfour, indicated that the provision of funds would have been made on the basis of positions approved. He said that the date on which the positions would be occupied would be a matter for judgment within the Department. Q. 1996

499. Public Service Board approval for the creation of the additional 183 positions of Meat Inspector, Grade 1 (\$2,590-\$3,142) was given on 26 January 1966, subject to the availability of funds. Approval for funds liability was sought from the Treasury on 1 February 1966 and given on 8 February 1966. Approval of the Executive Council to the issue of new office certificates for the positions was given on 29 September 1966. Committee File 1967/5

500. When the Additional Estimates were being prepared 152 meat inspectors had been given permanent status with a common date of appointment of 6 September 1966, and thirteen meat inspectors had been appointed with a common date of appointment of 21 January 1967. Another nine appointments were made by 30 June 1967. It was said that for three main reasons all of the 183 appointments had not been achieved. First, all the locations of advertised vacancies did not attract applicants from the exempt staff. Secondly, exempt staff declined acceptance of certain locations as their headquarters for permanent appointment, and thirdly, some applicants were rejected on medical grounds. Exhibit 96/64

501. When the review of expenditure was undertaken for the purpose of determining the need for funds in the Additional Estimates, it was calculated that further funds would be required having regard to expenditure at the date of the review (\$1,766,702); the earlier date of appointment for 152 inspectors than was allowed for in the Margins and Total Wage cases of 1966; and the creation of new staff positions and the reorganisation of certain positions. Treasury approvals had been given on 31 May 1966 of funds for four newly created positions at an estimated cost of \$11,200 in 1966-67; on 1 December 1966 of funds for thirty newly-created positions at an estimated cost of \$1,000 in 1966-67, and on 15 February 1967 of funds for eleven newly-created positions at an estimated cost of \$4,600 in 1966-67. On 24 June 1966 Treasury approval had been given of funds for the reorganisation of the Inspection Branch, Export Inspection and Management Services Division of the Central Office at an estimated cost of \$13,000 in 1966-67. Treasury Approval of funds was also given on 2 December 1966 of \$2,200 to cover the cost of variations made to salary determinations. Exhibit 96/64 and Q. 2008

Exhibit 96/64

502. We were told that the expenditure shortfall in this item occurred because of misunderstanding that arose between the Central Office and the State offices of the Department on accounting transactions associated with the appointment of the exempt staff to permanent status. The common date of appointment of 6 September 1966 called for accounting adjustments retrospective to that date between items 01 and 02 of Division 383, Sub-Division 1—Salaries and payments in the nature of salaries. The necessity for the retrospective adjustment was due to the lapse of time from the common appointment date and the completion of the appointment action which, because of administrative processes such as medical and security examinations were some months later.

Exhibit 96/64
and Q. 2001

503. When the salary estimates were under review a duplication was made of the additional provision necessary to cover the salaries chargeable to Item 01 for the period from 6 September 1966 the common date of appointment and 31 December 1966. Funds were included in the initial estimate for the appointments to take effect for the second half of the year. In this regard we were informed that the staff involved were all appointed in the State offices and were actually on State office establishments of the Department. The State offices were instructed to cost the salaries of the new appointees to Division No. 383/1/01, the permanent vote from the first pay period commencing after the date of appointment and that adjustments for this purpose between permanent and temporary salary items were to be effected. The cost in 1966-67 to Division 383/1/01 of the appointments which had the common appointment date of 6 September 1966 was \$395,000. This meant that an additional call of some \$74,000 above the provision included in the initial estimate for the purpose was being made on item 01. In the course of the calculation of the amount to be sought in the Additional Estimates the retrospective adjustments between items 02 and 01 were taken into account twice, once by the State offices in revising their sections of the estimates, and again by Central Office where the misunderstanding arose that the State offices had omitted to take it into account for the purpose of the revised estimates.

Q. 2005

504. It was claimed by the witness for the Department that the estimating procedure in this instance had been justified as there was no doubt that the bulk of the 183 positions would have been filled for a considerable portion of the year. For this reason it had been estimated that half of the costs for the year should be provided for in the permanent vote and half in the temporary vote.

Conclusions

505. It appears that the overestimate in expenditure on this item arose when a provision was made by the State offices for inclusion in the Additional Estimates and, arising from a misunderstanding in the Central Office of the Department, the same provision was included a second time by that office. Your Committee had occasion to examine

a somewhat similar set of circumstances in connection with Item 260/1/02 administered by the Department of Housing in our Inquiry into Expenditure from the Advance to the Treasurer, 1966-67. In that Report we expressed the view that a direct responsibility devolves upon Central Office Organisations to satisfy themselves completely in regard to estimates formulated by their regional offices and that the estimates submitted by such offices should be supported by appropriate material to enable Central Offices to perform their review function at a high standard.

PP. No. 128
of 1967

(iii) DIVISION 389/1/01: DEPARTMENT OF PRIMARY INDUSTRY—
OTHER ADMINISTRATIONS—RECOVERABLE EXPENDITURE—
EXPENDITURE—UNITED KINGDOM

Appropriation Act (No. 1) \$70,000: Expenditure \$41,449

506. The purpose of this appropriation is to provide for the Department to purchase canned and dried fruit on behalf of the British War Office for shipment to British Provisioning Depots in bases such as Singapore and Hong Kong. Contracts are negotiated with local suppliers and expenditure on purchases, storage and freight costs are charged to this item. Recovery of expenditure incurred is credited to Revenue, Miscellaneous.

Exhibit 96/65

507. When the Estimates for this item are prepared the Department does not have the benefit of advice from the British War Office as to the quantities of canned fruits and dried fruits that it will require to be purchased and shipped to the British Provisioning Depots at Singapore and Hong Kong. The Department therefore prepares an estimate of expenditure for the item having regard to the requirements of previous years. In practice the British War Office places firm orders with the Department of canned fruits in November and for dried fruits in about February each year. It is not until these orders are received that any indication is available of the actual quantities of new season fruit to be purchased. It was said that orders for fruit are placed by the Department immediately they are received, for delivery as soon as the new season's fruit becomes available. The fruit is taken into store and shipped to provisioning depots at the request of the British War Office.

Exhibit 96/65

Q. 2022

508. Although there had been a falling off in quantities of fruit ordered in 1965-66 it was thought that requirements for 1966-67 would increase to at least the level of 1964-65. The estimate for 1966-67 was therefore based on the 1964-65 level of expenditure. Inquiries had been made from the British War Office liaison officer in Melbourne concerning likely requirements of fruit in 1966-67. Although he was unable to assist, further inquiries were not made at the British War Office in London. The pattern of declining requirements of the Provisioning Depots continued in 1966-67 and requests received for both purchases and shipments were less than the amount provided for in the Estimate.

Exhibit 96/65

Q. 2027

Exhibit 96/65

In fact, no requests were received for purchases of canned fruits or dried vine fruits and only dried tree fruits were required from the 1966 season's crop.

Conclusions

509. Your Committee notes that when the estimate for 1966-67 was being formulated inquiries were made of the British War Office liaison officer in Melbourne as to the likely requirements of fruit by the War Office in that year. However, when this officer was unable to supply the information required no endeavour was made to pursue the matter further by seeking information from the War Office in London. We believe that further information should have been sought from the War Office, London in an effort to formulate a realistic estimate, notwithstanding the fact that expenditure under the Item is of a recoverable nature.

510. Your Committee referred earlier in this Report to the matter of recoverable expenditure in connection with Items 687/1/01 and 687/2/03 administered by the Department of the Navy. In the case of these items we mentioned that recoverable expenditure is cancelled out in the overall Budget to the extent that recoveries are made in the same financial year. Not all recoveries can be achieved in the year of expenditure, however, and therefore, in any given year, recoverable expenditure can have a budgetary effect. Hence, the manner in which estimates are formulated for such items is a matter of some consequence. In the case of the present Item, \$70,000 was set aside for recoverable expenditure but the amount of expenditure that actually occurred was \$41,449.

(iv) DIVISION 941/04: DEPARTMENT OF PRIMARY INDUSTRY—
PAYMENTS TO OR FOR THE STATES—MINOR RESEARCH AND
OTHER SERVICES

*Appropriation Act (No. 2) \$25,000, Appropriation Act (No. 4)
\$3,700: Expenditure \$23,395*

Exhibit 96/66

511. As part of the Commonwealth Agricultural Extension Grant Scheme, the Commonwealth Government has agreed to contribute up to \$100,000 per annum at the discretion of the Minister for Primary Industry, to finance special investigation and extension projects on an appropriate matching basis with contributions by the States and/or the industry concerned. The purpose of this item is to provide payments under this Scheme to the States.

512. Provision was made in 1966-67 for a number of minor research projects and, in the main, all with the exception of funds for banana research were fully utilised. The shortfall in expenditure relates wholly to an inability by two State Government Departments to spend the estimated funds granted for banana research for 1966-67 and claim reimbursement from the Commonwealth.

513. The Banana Research Advisory Committee has the oversight of a banana research programme being undertaken by the Department of Agriculture, New South Wales, and the Department of Primary Industries, Queensland. The Commonwealth matches on a dollar for dollar basis, industry contributions to finance minor research projects. In the case of banana research projects, the industry contribution is paid to the Commonwealth in the first instance and credited to the Consolidated Revenue Fund. The industry contribution together with the Commonwealth's matching contribution is then appropriated under this Item—941/04. Exhibit 96/66

514. The inability of the two State Government departments to expend the funds made available to them in 1966-67 arose entirely from key staff resignations and the difficulties experienced in replacing them. As a result the salary components in the funds provided for the research project could not be utilised. A vacancy occurred in the position of Supervisory Fruit Officer at Alstonville, New South Wales, in April 1966. In December 1966, the Department of Agriculture advised that a suitable applicant had been chosen and requested that funds be made available. The appointment to the position was approved in March 1967 but the appointee, who was already on the staff of the New South Wales Department of Agriculture could not be released from his position in the Department. The Banana Research Committee was advised of this in June 1967. The second position involved was that of a supervisory Research Officer located at the Fruit Preservation Research Laboratory at Hamilton, Queensland. The officer occupying this position resigned on 6 January 1967, and the Department of Primary Industry was confident that he would be replaced fairly promptly. In June 1967, however, the Banana Research Advisory Committee was advised that a replacement could not be obtained. Exhibit 96/66
Q. 2037
Q. 2040

515. We were informed that the actual timing of expenditure under this item is not spread evenly through the year. Usually, reimbursement follows expenditure by the States so that when the Additional Estimates review is made expenditure has very little bearing on the amount which will be needed for the year because at that time the States have not made their claim for reimbursement. Claims in respect of this item are usually made in May or June. The States were confident, when the estimates were formulated that staff would be available and the reimbursement would have been requested. In the event, however, recruitment was not effective and there was insufficient time for a claim to be made. Q. 2039

Conclusions

516. Your Committee accepts the Department's explanation.

CHAPTER 16—REPATRIATION DEPARTMENT

DIVISION 449/08: OTHER REPATRIATION BENEFITS—TELEPHONE RENTAL CONCESSIONS TO PENSIONERS

Appropriation Act (No. 1) \$541,000: Expenditure \$398,938

Exhibit 96/67

517. The purpose of this item is to provide funds to meet the reimbursement to the Postmaster-General's Department for telephone rental concessions granted to eligible Repatriation pensioners.

Exhibit 96/67
and Committee
File 1967/5

518. The estimates for this item for 1966-67 were compiled on the basis that repatriation pensions and other benefits for the whole year would be appropriated in the usual manner by the Supply and the Appropriation Acts. However, a special appropriation for all items covering these pensions and benefits was inserted by the Parliament in section 14 of the *Repatriation Act* 1966. After the Appropriation Act (No. 1) had been passed the Parliamentary draftsman advised the Department that the Special Appropriation had been operative from 30 September 1966, when it superseded the Supply Act, until 20 October when it, in turn, was superseded by the Appropriation Act. The expenditure for this period, which amounted to approximately \$12,000,000 was then transferred by Treasury direction to the Special Appropriation. Of this amount, \$42,740 related to Item 449/08. The decision taken by the Parliament coupled with the Treasury Direction that \$12,000,000 was to be charged to the Special Appropriation, caused a unique set of circumstances which could not have been envisaged.

Q. 1643
and Committee
File 1967/5

519. The provision for this item for 1966-67 was increased by \$51,000 compared with the level of the provision made in the previous year, on the advice of the Postmaster-General's Department, to meet an anticipated rise in the number of claimants for this concession.

Committee
File 1967/5

520. Conditions determining eligibility for this concession are related to type of disability and living circumstances of Repatriation pensioners, those who are eligible for the concession comprise service pensioners; members receiving a special rate for total and permanent incapacity; war widows; and blind persons. Person receiving these pensions, other than blind persons are not eligible unless they live alone; live with another pensioner; or live with another person or persons not being pensioners, if the income of each such person would satisfy the means test. While the number of pensioners included in the types of disability listed above, is known to the Department of Repatriation, there is no practical way of determining the living circumstances of people falling into these categories who have not yet applied for the concession. Changes in living circumstances occurring from time to time also affect overall eligibility.

521. While the telephone concession affects certain Repatriation pensioners, the benefit is provided under Postmaster-General's Department legislation, and it was decided that the estimate, would be prepared by this Department. The Repatriation Department has, however, a close liaison with the Postmaster-General's Department in relation to the information supplied in the formulation of the estimates. Q. 1643

522. The estimate for 1966-67 which was prepared by the Postmaster-General's Department, took account of the number of applications awaiting approval in all States and the assessed average value of each account. In these calculations it had been expected that the number of concession accounts would increase by 6,000 in New South Wales and 5,000 in Victoria. In fact, however, the number of concession accounts increased by only 3,000 in New South Wales and in the case of Victoria, the number actually declined by 1,000. As a result shortfalls occurred in expenditure amounting to \$23,000 in New South Wales and \$43,000 in Victoria. The average value of accounts was also less than had been expected in New South Wales, a factor which was said to have been the main reason for the remaining shortfall. When the estimate was prepared, the average account value in New South Wales was \$7.50. The average account value used for the 1966-67 estimate was \$7.30, but this proved to be much higher than in fact occurred. Details of estimated and actual numbers of Repatriation pensioners receiving this concession and the related accounts and expenditure are shown in Table No. 16.

Q.'s 1643 to
1665 and
Committee
File 1967/5

TABLE No. 16: TELEPHONE CONCESSIONS FOR REPATRIATION PENSIONERS
SELECTED ESTIMATED AND ACTUAL STATISTICS
(1966-67)

Branch	Eligibility(a)		Accounts(b)		Expenditure	
	Possible	Total Accepted	Estimated	Actual	Estimated	Actual
New South Wales . . .	42,825	12,209	26,098	22,849	190,000	132,359
Victoria	34,293	12,056	26,800	20,728	190,000	150,079
Queensland	19,394	5,709	10,340	10,200	60,000	60,876
South Australia . . .	11,504	3,781	7,870	7,558	48,000	47,882
Western Australia . .	11,157	3,069	6,774	5,873	38,000	36,800
Tasmania	4,542	1,223	2,500	2,361	15,000	13,682
Total	123,715	38,047	80,382	69,569	541,000	441,678

(a) As at 30 June 1967.

(b) Estimate made by Postmaster-General's Department.

Source: Repatriation Department.

523. It was said that 1966-67 was only the third year in which this concession had been available and that it would be difficult to discover a trend during that short period. We were told that the Repatriation Department does not accept the estimate made by the Postmaster-General's Department without inquiry and consultation with that Q. 1643 to 1645

Department and that as soon as both Departments became aware of the fact that expenditure would fall short of the estimate in 1966-67 the estimate had been amended.

Conclusions

524. Your Committee recognises that, as the concessions to which this item relates did not come into operation until 1964-65, the Departments concerned in the formulation of the estimates must, at this stage, experience considerable uncertainty as to the likely levels of expenditure that will occur. In circumstances of this type we would suggest that it would have been a more prudent course to frame the Original Estimate on a more conservative basis and to have had recourse to the Additional Estimates at a later stage in the financial year had such a course proved necessary.

CHAPTER 17—DEPARTMENT OF SHIPPING AND TRANSPORT

DIVISION 460/3/01: AUSTRALIAN SHIPBUILDING BOARD—SHIP CONSTRUCTION—PURCHASE OF SHIPS, MATERIAL AND EQUIPMENT

Appropriation Act (No. 1) \$42,800,000: Expenditure \$36,847,837

525. The purpose of this item is to make payments to shipbuilders for the construction of ships under contracts arranged by the Australian Shipbuilding Board. It was said that the estimation of expenditure is extremely difficult in the area of shipbuilding where there is a dependence on shipbuilders, beyond the Commonwealth's control, for the reaching of production targets and the claiming of progress payments. Exhibit 96/68

526. In preparing the estimates of expenditure for this item proposed expenditure was allocated into the following three distinct groups: Q. 1670 and
Committee
File 1967/5

- Group 1 Vessels under construction and those for which contracts had been signed or orders placed.
- Group 2 Vessels the construction of which was still under negotiation at a stage where designs were accepted or tender action was in progress but firm commitments had not actually been entered into.
- Group 3 Projected vessels—i.e. vessels the construction of which was considered likely and in respect of which the requirements of clients had been discussed but design parameters have not been finalised.

527. Estimated and actual expenditure in respect of these three groups is shown in Table No. 17 and details of variations from estimated expenditure for Group 1 are given in Table No. 18.

TABLE No. 17: DEPARTMENT OF SHIPPING AND
TRANSPORT
DIVISION 460/3/01: ESTIMATED AND ACTUAL EXPENDITURE
(1966-67)

Group	Expenditure		Net Variation
	Estimated	Actual	
	\$'000	\$'000	\$'000
1	29,634	24,541	-5,093
2	7,128	7,784	+656
3	6,038	4,522	-1,516
Total . . .	42,800	36,847	-5,953

Source: Department of Shipping and Transport.

TABLE No. 18: DEPARTMENT OF SHIPPING AND TRANSPORT
ESTIMATED AND ACTUAL EXPENDITURE, BY SHIPYARD,
ON VESSELS WHICH WERE UNDER CONSTRUCTION OR ON ORDER AS AT
1 JULY 1966
(1966-67)

Shipyard	Expenditure		Net Variation
	Estimate	Actual	
	\$'000	\$'000	\$'000
Evans Deakin	8,733	6,416	-2,317
State Dockyard	4,641	6,208	+1,567
B.H.P., Whyalla	15,418	10,712	-4,706
Adelaide Ship Construction .	842	1,205	+363
Total	29,634	24,541	-5,093

Source: Department of Shipping and Transport.

Exhibit 96/58
Committee
File 1967/5

528. Because of the delay in the completion of the construction of the large building dock at the Evans Deakin Shipyard and problems associated with the operation and management of the shipyard, unexpected delays occurred to vessels under construction at this yard. Two vessels due for completion in 1966-67 the *W.D.A. Tradeway* and the *V.G. Swanson* were not expected to be delivered until October 1967. There was a shortfall in expenditure of \$706,000 in respect of the former and \$450,000 in respect of the latter. A shortfall of \$1,475 was also incurred in respect of two vessels being constructed on behalf of the Australian National Line on which the estimated expenditure in 1966-67 was \$5,383. It was said that a management re-organisation of the Evans Deakin Shipyard has been undertaken and that because of this together with the opening of the building dock on 21 July 1967 and prefabrication being undertaken by the firm at several of its factories in locations away from the shipyard, there had been at the time of our Inquiry, an increase in construction and other activity at the shipyard.

Exhibit 96/58,
Q's 1671 to
1677, and
Committee
File 1967/5

529. At the B.H.P. shipyard at Whyalla a shortfall in expenditure of \$1,644,000 occurred in respect of the steam ship *Iron Hunter*, against an estimated expenditure of \$9,135,000 and a shortfall of \$3,068,000 occurred in respect of an ore carrier on which expenditure had been estimated at \$3,580,000. In both cases the shortfall was due to postponement of work arising from the need to make unexpected modifications to the oil drilling *Ocean Digger*. We were told that the technology of ocean exploration for oil is developing very rapidly and although the rig was not the first of its type to be produced, experience with rigs produced earlier had shown that there were certain deficiencies in design from the viewpoint of stability. As the history of drilling rigs generally had not been satisfactory in regard to stability and other safety aspects, modifications were sought at a later stage in construction. In fact, major modifications were proposed by the owners of the rig

in about February 1967. Due to the necessity to carry out this work prior to launching the rig, a major portion of the workforce at the Whyalla shipyard was transferred, early in 1967, to enable the work to be completed so that the rig could be launched in certain advantageous tide conditions which were expected to occur in July 1967 but which would not recur before the subsequent November. The Departmental submission stated that because of the necessity for the Australian Shipbuilding Board to examine each modification in order to determine eligibility for the shipbuilding subsidy; to fix a rate of subsidy where applicable and for the approval of the Minister and the concurrence of the Treasurer to be obtained, it had not been possible, having regard to the fixed stage payment schedule, for work carried out in these modifications to be brought to account as expenditure in 1966-67. The witness informed us, however, that in fact the necessary approvals were not obtained until June 1967 and that the work on the rig was not completed until about 16 September 1967.

530. An overexpenditure of \$1,729,000 occurred in respect of four vessels in the second group on which the estimates for this item were formulated. In several instances contract stages were reached earlier than had been anticipated and in another the final contract price was higher than had been estimated. In this group the total shortfall in expenditure of \$1,073,000 was in respect of the oil drilling rig *Ocean Digger*, which was referred to particularly.

Exhibit 96/58J
and Committee
File 1967/5

531. With respect to the third group on which the estimates for this item were based, it was said that details had been compiled for all vessels for which genuine inquiries had been received and in respect of which a commitment for later in the financial year had been forecast with reasonable confidence. For these vessels the total projected cost was shown together with the proportion of that cost estimated to be expended in the financial year 1966-67. This latter estimate was based on the assumption that the development of the proposal to construct the new vessel would proceed smoothly and with normal delay due to such external factors as design difficulties, resolution of differences between the Australian Shipbuilding Board and the owner and delays in the tendering procedure.

Committee
File 1967/5

532. We were reminded that in practice ultimate decisions to build rest with shipowners and it was indicated that performance rarely equals expectation in this respect. Additional difficulties in the formulation of this estimate were said to be the capacity of the shipyards, labour difficulties and delay in the delivery of components. The amount included in the Original Estimate for this group was said to represent an informed judgment of the likely achievement for the financial year.

Exhibit 96/58

533. When the Original Estimates were formulated it was known that there was a requirement for a dredge to be built for the Queensland Department of Harbours and Marine and \$1,000,000 was provided for this purpose in 1966-67. Although tenders were invited on 21

Exhibit 96/68
and Q's 1678
and 1681

January 1966, the Queensland Government sought several changes in design and a revised basis of specifications was subsequently agreed to which led to the reinvitation of tenders. For these reasons no expenditure was incurred in respect of this project during 1966-67. Tenders were called for the second time on 21 March 1967 and closed on 26 July 1967. In both instances the tenders were called by the Shipbuilding Board.

Q's 1679 to
1680

534. The estimated cost for this dredge was arrived at by analogy with similar dredges for which prices had been obtained from British and other builders. It was said, however, that the prices obtained were not related to Australian shipbuilding costs and that the objective of the administration of the Australian shipbuilding subsidy is to equate the price of a locally-built ship with the price of a comparable ship built in a British shipyard and delivered to Australia.

Conclusions

535. In its examination of this item Your Committee has noted that in 1964-1965, \$17,700,000 was obtained in the Appropriation Act (No. 1) and \$1,650,000 from the Advance to the Treasurer. In that year, total expenditure under the item reached a level only \$2,354 below the funds available. In the following year 1965-66 an amount of \$21,000,000 was obtained in the Appropriation Act (No. 1), \$8,000,000 was obtained in the Appropriation Act (No. 3) and \$1,389 was obtained from the Advance to the Treasurer. In that year expenditure equalled the total funds available. In 1966-67, however, \$42,800,000 was obtained in the Appropriation Act (No. 1) and of this amount, \$5,952,163 remained unexpended at 30 June 1967. On the basis of these estimating and expenditure results and having regard to the evidence tendered, we would agree with the witness that the estimation of expenditure is extremely difficult in the area of shipbuilding. This being so, we consider that the Department should adhere firmly to the following principles of estimating which were set out in our Seventy-fourth Report.

PP. No. 249
of 1964-65

'Each particular estimate should comprise a realistic assessment of the amount expected to be required, based on information available to the Department when the Estimates are being formulated. Estimates should not make provision for proposals that are of such an uncertain nature that the Department is unable to determine what payments, if any, will be made.'

536. In terms of these principles it appears to Your Committee that the Department was not justified in seeking provision in its Original Estimates for 1966-67 for projected vessels—i.e. vessels the construction of which was considered likely and in respect of which the requirements of clients had been discussed but design parameters had not been finalised.

CHAPTER 18—DEPARTMENT OF TERRITORIES

(i) DIVISION 863/1/01: GENERAL SERVICES—CHRISTMAS ISLAND SALARIES AND PAYMENTS IN THE NATURE OF SALARY— SALARIES AND ALLOWANCES

Appropriation Act (No. 1) \$150,700: Expenditure \$114,650

537. This item provides for the payment of salaries and allowances to all Administration staff on Christmas Island. Exhibit 96/69

538. The Christmas Island Phosphate Commission is required to meet general expenditure by the Government of Australia in administering Christmas Island. It was claimed, therefore, than any differences between actual expenditure and the amount appropriated are offset by similar differences in the revenue estimates and the net effect on the Commonwealth Budget is nil. It was said that for this reason proposals for inclusion in the expenditure estimates for Christmas Island have not been tested as thoroughly as is normally the case in other Departments. We were told that a change has been made in this liberal approach to the Christmas Island estimates for 1967-68 and that the normal procedures have been followed more closely. Q. 2053

539. Details of the shortfall in expenditure in respect of this item are given in Table No. 19.

TABLE No. 19: DEPARTMENT OF TERRITORIES
DIVISION 863/1/01: SHORTFALL IN EXPENDITURE
(1966-67)

Exhibit 96/69

	Amount
	\$
Contribution to Christmas Island Provident Fund	22,800
Salary—Police Superintendent	4,300
Relief of Official Representatives	2,234
Special Allowance—Official Representative	1,600
Salary—Staff of Radio Broadcasting Station	3,000
Other minor variations	2,116
Total	36,050

Source: Department of Territories.

540. In September 1962, Ministerial approval was given to the introduction of a Provident Scheme for employees of the Christmas Island Administration. When the 1966-67 estimates were formulated it was expected that the Provident Fund Ordinance, then in draft form, would become effective during 1966-67 and would involve the Administration in contributions of about \$22,800 in that year. The introduction

Exhibit 96/69
and Q's 2054
to 2062

of this proposed Ordinance, however, was dependent upon the introduction of a Christmas Island Public Service Ordinance, the drafting of which is the responsibility of the Department of Territories in association with the Parliamentary Draftsman. Instructions regarding this Ordinance were given to the Parliamentary Draftsman in 1962 and the first draft was received by the Department of Territories in July 1964. We were informed that between July 1964 and May 1966 difficulties arising from the initial draft had been discussed with the Official Representative of Christmas Island and would have been considered with the Parliamentary Draftsman to a point where substantial finality had been reached in May 1966. In September 1967, however, when our Inquiry was held the work on the Public Service Ordinance had not been completed and further matters had been raised regarding the basis of the Provident Fund. The witness was unable to inform us of the date by which the Provident Fund Ordinance would be promulgated. He indicated, however, that due to an oversight it had not been recognised that the promulgation of the Christmas Island Public Service Ordinance was a condition precedent to the promulgation of the Christmas Island Provident Fund Ordinance.

541. Provision was made in the Original Estimates for an amount of \$4,300 for the salary of the Police Superintendent who is an officer of the Commonwealth Police Force seconded to Christmas Island. Under this arrangement the cost of salary payments is reimbursed by the Christmas Island Administration. We were informed that although the Superintendent concerned had been appointed two years prior to our Inquiry, no account had been received from the Commonwealth Police Force in respect of his salary. In this regard we were advised that due to a breakdown in communication between the Personnel Branch and the Finance Section of the Department of Territories it was not brought to notice that the salary concerned should be reimbursed to the Attorney-General's Department and the absence of the account was not noticed. The failure to make payment was discovered by the Department of Territories in July 1967 and the matter has been discussed with the Attorney-General's Department.

Exhibit 96/69
and Q. 2075

542. It had been expected that the Official Representative at Christmas Island would proceed on leave during 1966-67 and an amount of \$2,234 was included in the estimate to provide for the salary of a relief officer. This amount was not required, however, because of the appointment of a new Official Representative who was sworn in late in May to commence duty on 15 June 1966, and who was not eligible for leave until 1968. In addition, the newly appointed Official Representative was not eligible for the special allowance of \$1,600 which had been paid to his predecessor. The Department of the Treasury had not been notified of the expected shortfall in expenditure in respect of salary and special allowance for the Official Representative when this became apparent because at that time the estimates had been settled depart-

mentally. It was said that in the ordinary course of events the replacement of one person by another does not have any significant effect on the estimates.

543. A provision for salaries and allowances payable to the staff of the Radio Broadcasting Station at Christmas Island had been made in the Original Appropriation on the basis that the station would commence its operations at the beginning of the financial year. Due to the length of time involved in the purchase of equipment, however, it was not until the middle of the financial year that broadcasting commenced on a restricted basis using second-hand equipment available on the Island. The shortfall in expenditure amounted to approximately half of the amount provided for this purpose. We were informed that the Christmas Island estimates are prepared earlier than other estimates, the first draft being prepared in January or February each year. It was expected at that time that the Radio Broadcasting Station would be operating early in the financial year but when the installation of facilities was delayed, this fact was not related to the salaries estimate when the final review of the estimates was being made.

Exhibit 96/69
and Q. 2071

Conclusions

544. On the basis of the evidence Your Committee finds that insufficient care was taken in the formulation of the Estimate for this item. In particular it is clear that the provision of \$22,800 in the Original Estimates to cover the contribution to the Christmas Island Provident Fund was not justified and the relationship between the proposed Ordinance relating to that fund and the proposed Christmas Island Public Service Ordinance should have been appreciated fully by the Department.

545. Your Committee deplores the circumstances in which the Department failed, for a period of two years, to effect payment of the salary of the Police Superintendent to the Attorney-General's Department. We also believe that the Attorney-General's Department should have rendered claims for this salary on the Department of Territories. We further consider that the two Departments concerned and the Department of the Treasury should examine the basis of this inter-departmental payment.

546. In the case of the \$2,234 included in the Original Estimate in respect of the Official Representative at Christmas Island, Your Committee believes that the Department should have advised the Department of the Treasury that a shortfall in expenditure was expected to occur as soon as this fact became known. Your Committee also considers that the Department should have adjusted its estimate for salaries for the radio station as soon as it became apparent that a delay in the installation of facilities would result in a delay in the operation of that Station.

547. Finally, Your Committee believes that the circumstances of this item where advances are received from the Christmas Island Phosphate Commission during the year with a financial set-off at the close of the year are such that the Department is not justified in failing to test as thoroughly as it otherwise would, proposals for inclusion in the expenditure estimates for Christmas Island.

(ii) DIVISION 896/03: PAPUA AND NEW GUINEA—MISCELLANEOUS SERVICES—MACHINE CONVERSION AND ADJUSTMENT

Appropriation Act (No. 1) \$376,000: Expenditure \$207,473

Exhibit 96/70 548. This item provides for the Decimal Currency conversion of machines and cash compensation to machine owners in Papua and New Guinea. The Decimal Currency Board of the Commonwealth was appointed under the Papua and New Guinea Currency Ordinance to carry out machine conversion and payment of compensation in Papua and New Guinea. The Commonwealth Government agreed to meet the cost.

549. The Decimal Currency Board, which was responsible for the Decimal Currency machine conversion programme in Papua and New Guinea, estimated the cost of machine conversion, replacement of machines, and cash compensation to machine owners in Papua and New Guinea on the basis of the Australian costs plus a loading to cover special difficulties, mainly in connection with transport, which were expected to arise in the Territory of Papua and New Guinea.

Q's 2085 to 2088

550. The witness for the Department of Territories informed us that the estimate provided by the Decimal Currency Board in respect of this item had been accepted without any discussion and the Department regards its control of this item as being entirely nominal. It was said that in the particular circumstances of this vote which provides for a new procedure the Board was considered to be an expert in the field.

Exhibit 96/70

551. The shortfall in expenditure was due to two factors. First, the programme arranged by the Decimal Currency Board was assisted by the Papua and New Guinea Administration, which in July 1966 agreed to make available workshop facilities and equipment for use by the machine conversion companies. This reduced significantly the overhead and transport costs which the Board had to meet. Officers of the Decimal Currency Board visited the Territory of Papua and New Guinea in May 1966 to survey the position generally, and in particular the accommodation for workshop, and personnel, should they be brought from the mainland. It was during this visit that the possibility of the Territory

Q. 2089

Administration providing accommodation was first suggested. It was said that discussions in this connection would have been held with the machine companies on the return of the officers from the Territory.

552. The second reason for the shortfall in expenditure was the fact that in July 1966, because of servicing difficulties, the Decimal Currency Board decided that loan machines would not be provided for Papua and New Guinea machine users while their machines were being converted. This decision was said to have caused a further reduction in cost when compared with similar costs incurred in Australia. Exhibit 96/70

553. The service difficulties envisaged were those related to the availability of loan machines. It was said that where there are large numbers of machines for conversion as was the case in Australia, it is relatively economical to provide loan machines which are suitable for a particular application. However, given a smaller number of machines of various models, as was the case in the Territory, there is a difficulty in the initial adaption of an available machine to the owner's requirements. In addition, loan machines were, in general, new machines which had been brought rather hurriedly from other countries and which had not been fully adapted to their potential applications. This represented a higher than normal level of maintenance expenditure. Q. 2091

554. Details of the break down of estimated and actual expenditure for machine conversion and compensation in Papua and New Guinea for 1966-67 are given in Table No. 20.

TABLE No. 20: DEPARTMENT OF TERRITORIES: PAPUA AND NEW GUINEA
ESTIMATED AND ACTUAL EXPENDITURE FOR MACHINE CONVERSION AND COMPENSATION
(1966-67)

	Estimate	Actual	Result
	\$	\$	\$
Cash registers; adding machines; accounting machines	370,000	204,772	-165,228
Petrol pump conversion	4,000	..	-4,000
Fabric-measuring machine conversion	200	..	-200
Taximeter compensation	300	756	+456
Price computing scale compensation	1,500	1,945	+445
Total	376,000	207,473	-168,527

Source: Decimal Currency Board.

Committee
File 1967/5

Cash Registers, Adding and Accounting Machines

555. Details of estimated and actual costs of replacement and compensation, and conversion costs for cash registers, adding and accounting machines are given in Table No. 21.

TABLE No. 21: DEPARTMENT OF TERRITORIES: PAPUA AND NEW GUINEA
CASH REGISTERS, ADDING AND ACCOUNTING MACHINES
ESTIMATED AND ACTUAL REPLACEMENT, COMPENSATION AND CONVERSION COSTS
(1966-67)

	Estimate	Actual	Result
	\$	\$	\$
Replacement and Compensation Costs—			
Australian landed cost of machines	65,042	63,563	—1,479
Freight and handling charges	12,536	1,592	—10,944
Guarantee charges	7,600	2,343	—5,257
Installation costs	7,306		—7,306
Profit	15,516	6,502	—9,014
Balance of petrol pump conversion	2,500	1,006	—1,494
Conversion Costs—			
Pre-conversion expenditure	11,500	4,655	—6,845
Conversion parts	19,515	19,125	—390
Direct labour	16,729	16,472	—257
Overhead	91,221	56,754	—34,467
Direct cost of loan machines	41,639	3,578	—38,061
Transport	19,250	8,265	—10,985
Installation costs	4,682	2,965	—1,717
Guarantee charges	13,758	7,208	—6,550
Profit	38,611	10,744	—27,867
Contingencies (1 per cent)	2,569		—2,569
Total	369,974	204,772	—165,202

Source: Decimal Currency Board.

Committee
File 1967/5

Freight and Handling Charges

556. Provision of \$12,536 was made for the sea freight of machines to the Territory and for transport within the Territory including the use of air freight where necessary. The estimated cost was varied according to the type and size of machine and ranged between \$8.50 to \$23.00 per machine. Because of the assistance given by the Territory Administration in distributing replacement machines, however, the only transport cost incurred by the Decimal Currency Board was that involved in transporting the machines to Sydney for shipment. The resultant shortfall in expenditure amounted to \$10,944. The estimated level of expenditure for transport of equipment related to conversion costs was \$19,250. This estimate was based on an estimated average cost of \$35 per machine for the transport from the owners premises to the workshop and return. Because of assistance in transport provided by the Administration, however, the average cost was reduced to \$15.20 per machine and there was an additional shortfall in expenditure related to freight and handling charges of \$10,985.

Overhead Expenditure

557. As shown in Table No. 21 \$91,221 was provided for overhead expenditure in respect of conversion costs for cash registers, adding and accounting machines. The components of this estimate are shown in Table No. 22.

Q. 2106 and
Committee
File 1967/5

TABLE No. 22: TERRITORY OF PAPUA AND NEW GUINEA
ESTIMATED AND ACTUAL OVERHEAD EXPENDITURE FOR DECIMAL CURRENCY
CONVERSION OF CASH REGISTERS, ADDING AND ACCOUNTING MACHINES
(1966-67)

Committee
File 1967/5

	Estimate	Actual
	\$	\$
Estimated overhead rates for the Australian programme less elements for indirect wages, travel and accommodation plus special overhead expenses attaching to Territory conversions	(a) 15,080	..
Indirect wages	13,102	5,794
Travel and accommodation	50,837	35,849
Freight on parts list	3,008	2,503
Cables and telegrams	400	300
Special stationery	500	190
Freight on special tools	1,250	..
Laundry and incidentals	1,639	1,227
Tropical pay allowance	3,840	4,122
Miscellaneous and contingencies	1,566	782
Total	91,222	50,767

(a) Notional estimate only.

Source: Decimal Currency Board.

558. No individual provision was made for workshop accommodation or for other items of overhead expenditure which might be incurred during the conversion programme. It was said that these items were covered in the allocation of \$15,080 based on the estimated expenditure for overhead costs in the Australian programme. We were given a notional breakdown of the components of this estimate which it was

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TABLE No. 23: DEPARTMENT OF TERRITORIES: PAPUA AND NEW GUINEA
NOTIONAL ESTIMATE OF OVERHEAD EXPENDITURE INCLUDED IN ESTIMATED
DECIMAL CURRENCY CONVERSION COSTS FOR CASH REGISTERS, ADDING
AND ACCOUNTING MACHINES
(1966-67)

	Amount
	\$
Consumable small tools	902
Indirect materials, oils and lubricants	1,102
Electricity, lighting and power	315
Fuel oils	18
Outside services	54
Printing and stationery	482
Rent, rates and taxes	2,085
Repairs and maintenance	606
Salaries (including provision for payroll tax, superannuation and workers compensation)	5,319
Telephones and postage	943
Insurance	1,570
Training	234
Staff turnover and recruiting	102
Amenities	81
Miscellaneous	1,010
Contingencies	257
Total	15,080

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Source: Decimal Currency Board.

said had been arrived at by apportioning the items in the Australian overhead allowances over this amount. It was emphasised, however, that the Original Estimate was not based on this breakdown. Details of the components of these notional overhead costs are given in Table No. 23.

Committee
File 1967/5

559. While the items listed in Table No. 23 are merely notional estimates, actual expenditure shown against these items indicates that with three exceptions, no expenditure was incurred. The exceptions were indirect materials, oils and lubricants, which had a shortfall in expenditure of \$802, salaries which showed a shortfall of \$3,227 and training for which over-expenditure of \$913 in excess of the notional amount was incurred. In addition expenditure occurred in respect of three overhead items which had not been included in the estimates. These were special travelling time allowance \$1,360, site closing down allowance \$652, and tropical clothing allowance \$436.

Other Shortfalls in Expenditure

Committee
File 1967/5

560. The shortfall in overhead expenditure of \$7,308 in respect of indirect wages shown in Table No. 22, was due to the fact that the original estimate provided for 15 Australia-based indirect labour employees for thirteen weeks. It was said that because of the administrative assistance provided by the administration and the policy adopted on loan machines it was possible to reduce the indirect labour requirement to nine Australia-based employees for eleven weeks. The shortfall of \$14,988 in estimated expenditure for travel and accommodation was due to the reduction in the number of indirect labour employees as was the shortfall of \$411 in respect of laundry and incidentals. No details could be given for the basis of the estimate in respect of freight on parts lists, cables and telegrams, or special stationery. The shortfall of \$1,250 in respect of freight on special tools was due to the workshop equipment provided for the Administration. Overexpenditure of \$282 in respect of tropical pay allowance was due to the fact that provision for tropical pay allowance for nine employees had been overlooked in the formulation of the Estimates.

Other Machine Conversion and Compensation

Committee
File 1967/5

561. With respect to the conversion of petrol pumps it had been planned to commence this project in January 1967, the total commitment being for 432 pumps at an estimated total conversion cost of \$8,640. Approximately one half of this programme was expected to be completed by June 1967. However, because of difficulties experienced in the acquisition of suitable computers for the conversion and arrangement of installations, the petrol pump programme was not commenced in 1966-67. Because the owner of the one fabric measuring machine did not make it available for conversion the \$200 made available for this purpose was not expended.

562. Overexpenditure of \$456 in respect of taximeter compensation was due to the fact that in May 1966 the Decimal Currency Board approved a special compensation rate of \$36 per machine as against the \$15 provided in the estimate. In addition, twenty-one meters were involved instead of twenty as had been estimated. Overexpenditure of \$445 in respect of price computing scale compensation occurred because in May 1966 a special freight loading of \$6 per scale was added by the Decimal Currency Board to the original estimate of \$30 per scale. There were also more scales for conversion than had been estimated.

563. It was acknowledged that in retrospect the estimate for this item was not satisfactory. When the Original Estimate had been formulated in January 1966 costs of the Australian conversion programme had not been finalised and the estimate had been based on an incomplete knowledge of the situation in the Territory. The witness representing the Decimal Currency Board admitted that when it became apparent that the amount of \$376,000 sought for this item would not be required in 1966-67, the Department of the Treasury had not been advised of this fact.

Q. 2096 and
2098

Conclusions

564. From the evidence submitted it is clear to Your Committee that, when the estimate for the item was formulated in January 1966, the Decimal Currency Board did not have available to it for its guidance firm conversion cost data for Australia or a complete knowledge of the conversion problems in the Territory. In fact it was not until May 1966 that officers of the Board visited the Territory to survey the position there and it was at this stage that the question arose as to whether the Administration might provide workshop facilities and equipment for use by the machine companies. In these circumstances Your Committee finds that the Original Estimate for this item was poorly based and the amount of \$376,000 was sought prematurely. In this regard we recognise that while the Department of Territories was entitled to have some regard for the financial assessment made by the Decimal Currency Board as to the costs of conversion in the Territory, the Department must accept responsibility for the amount sought for inclusion in the Original Estimates. This being so we believe that the Department was unwise to accept at face value the estimate put forward by the Board. An examination of that figure might well have suggested to the Department that a part only of the Board's estimate should be included in the Original Estimates and that the remainder should be withheld pending the Additional Estimates.

565. Your Committee also believes that the Department of the Treasury should have been advised in July 1966 when the Territory Administration agreed to make available facilities and equipment required in the conversion programme, so that the amount included in the Original Estimates but not at that stage submitted for the consideration of the Parliament, could have been reduced.

(iii) DIVISION 989/01: CAPITAL WORKS AND SERVICES—BUILDINGS,
WORKS, PLANT AND EQUIPMENT

Appropriation \$78,000: Expenditure \$47,976

- Exhibit 96/71 566. This item provides for the constructions of new works and the purchase of plant and equipment for the Christmas Island Administration.
- Q. 2109 567. The estimate for this item is prepared initially by the Official Representative at Christmas Island and is the subject of discussion between that Representative and the Manager of the British Phosphate Commission at Christmas Island. We were informed that in recent years considerable expansion has occurred in the activities of the Commission itself and therefore the manager has been unable to give firm undertakings as to the amount of work which the Commission will be able to undertake for the Official Representative in a given period.
- Q. 2117 and Q.'s 2120 to 2122 568. We were informed that the principles in respect of estimating procedures advanced in Treasury Memorandum BA65/2193 have not been applied strictly to Christmas Island in the past because of the unusual circumstances involved. It was acknowledged that the Department has access to the Additional Estimates and the Advance to the Treasurer in respect of the Christmas Island items, but it was said that use of the appropriation facilities would require further approaches being made to the British Phosphate Commission for additional funds.
- Q. 2121 The Commission is advised early in each financial year of the amount expected to be recovered so that it may be included in the Commission's Budget. It was indicated that this amount is used in the determination of the price of phosphate in the ensuing year.
- Exhibit 96/71 and Q. 2110 569. Three reasons were given for the shortfall in expenditure under this item, the first being in respect of equipment for a new broadcasting station. The Original Appropriation included an amount of \$11,000 for this purpose. Because of the technical nature of the project the Postmaster-General's Department had agreed, early in 1965, to select and purchase the equipment. Accordingly an order was placed with the Postmaster-General's Department in September 1965, on the basis that where possible surplus departmental equipment would be supplied at current value and other equipment would be acquired as necessary. It was expected that the equipment ordered would have been available within six months of the placement of the order. Advice had been received from the Postmaster-General's Department on 23 January 1967 to the effect that there would be a delay in the supply of the equipment and at the close of the financial year, the equipment had not been delivered to Christmas Island. The delay was said to have been due to discussions held between the Postmaster-General's Department and technical personnel at Christmas Island regarding specific items of equipment and the fact that some were not available in Australia.
- Q. 2111

570. The second reason for the shortfall in expenditure was in relation to the construction and equipping of a workshop for the Asian Secondary School, estimated to cost \$15,500. It was said that before work could commence on the project it was necessary for an officer from the Department of Territories and from the Education Department of Western Australia to visit Christmas Island in order to investigate and report on training and equipment which should be provided at the school. Because these officers were not available to visit Christmas Island until January/February 1967 construction of the workshop did not commence in the Financial Year 1966-67. When the estimate was formulated it was known that the investigation would be made but the length of the delay had not been foreseen and it was not envisaged that the report would be as far reaching as it was in fact.

Exhibit 96/71
Q. 2114

571. Thirdly, some \$3,500 of the shortfall in expenditure was in respect of the works programme on Christmas Island. All construction work on the Island is carried out by the British Phosphate Commission, which imports material and workers for this purpose. It was said that from time to time, because of recruitment difficulties, the work force becomes depleted and work on some projects is temporarily delayed. This occurred in the financial year 1966-67. As with other estimates of expenditure provided by the British Phosphate Commission, that provided for construction work on the Island was accepted by the Department.

Exhibit 96/71

Conclusions

572. Whilst Your Committee is not unsympathetic to the problems confronting the British Phosphate Commission and the Department in this case, we note that shortfalls in expenditure under this item amounted to some 37 per cent of the Original Appropriation in 1964-65, 51 per cent in 1965-66 and 38 per cent in 1966-67. In none of these years were funds sought in the Additional Estimates or from the Advance to the Treasurer.

573. We note that in regard to equipment for the new Broadcasting Station, the order was placed with the Postmaster-General's Department in September 1965 on the basis of delivery in about March 1966. We believe that the Department of Territories should have inquired regarding the delivery position on this equipment prior to framing its estimate in April 1966 for inclusion in the Budget.

574. It appears that an amount of \$15,500 was included prematurely in the Budget for the construction and equipping of a workshop for the Asian Secondary School, particularly as the problems confronting the Commission at Christmas Island in relation to its own works programme were well known to the Department and as it was also known that an investigation at the Island was necessary prior to construction work being commenced.

575. Your Committee trusts that in future the Department will apply the same degree of scrutiny to estimates put forward for inclusion under

this item in the Budget as it would apply to other items under its direct administrative control and that, where reasonable uncertainty exists as to the expenditure which might occur, will make greater use of the Additional Estimates and, if necessary, the Advance to the Treasurer.

(iv) DIVISION 995/05: CAPITAL WORKS AND SERVICES—LOANS TO HOUSEHOLDERS FOR SEWERAGE CONNECTIONS

Appropriation Act (No. 2) \$5,500: Expenditure Nil

Exhibit 96/72

576. This item provides for loans to householders in the Northern Territory for connection of their properties to sewerage systems in areas in which these systems are newly provided.

577. An amount of \$9,200 was appropriated in the Original Estimates for this item in 1964-65 and \$10,000 at the same appropriation in 1965-66. There was no expenditure in either of these years.

Exhibit 96/72
and Q. 2138

578. The scheme provided for by this item was approved by the Minister in February 1964. After its approval, and before the scheme could be implemented, amendment of the Supply of Services Ordinance was required to provide the Administrator with power to make regulations for a loan scheme, and to the Sewerage Regulations to provide for financial assistance to prescribed persons to provide for the connection of dwelling houses to sewerage systems should other financial assistance not be available.

Exhibit 96/72
and Q. 2139

579. The amendment to the Supply of Services Ordinance was passed by the Northern Territory Legislative Council in February 1965, and was assented to on 8 April 1965. During consideration of the amending Ordinance, however, some members of the Legislative Council expressed doubts regarding the ability of borrowers to repay a loan provided for by the Ordinance in the time specified. This matter was examined and the regulations under the Ordinance were amended on 10 March 1966 by the Administrator-in-Council in order to authorise the Administrator, to approve from that date, concessional terms for repayment of loans. Two conditions were attached to the granting of assistance, first the applicant must satisfy the Administrator that funds could not be obtained from any other source, and secondly that the debt be a first charge on the property in question and the agreement be registered with the Registrar of Titles.

Exhibit 96/72
and Q. 2140

580. It was said in the Department's written submission that the appropriation had been made in the expectation that loans would be made in 1966-67 following the completion of part of the Alice Springs sewerage scheme, and amendment of the regulations to permit concessional terms for repayment. It was said in evidence, however, that the appropriation had been made largely on conjecture and that there had been no firm basis for the estimate. It had been known that there were 100 or more connections to be made and that the average cost would be about \$1,000. It was thought that the amount appropriated was

Exhibit 96/72
and Q.'s 2142
and 2147

reasonable in these circumstances. Although there were a number of inquiries for assistance under the scheme during 1966-67 it was said that prospective borrowers experienced difficulty in meeting the loan conditions and that no formal applications were received. Because people who were in need of finance for the connection of sewerage to properties were able to obtain it from other sources there was no expenditure in respect of this item in 1966-67.

Conclusions

581. On the basis of the evidence submitted under this item, it is clear that in three successive years, provisions totalling \$24,700 over the period have been included in the Budget for the provision of loans in circumstances which were of such an uncertain nature that the Department was unable to determine what payments, if any, would be made. Your Committee finds this state of affairs to be wholly at variance with the principles of estimating laid down by the Department of the Treasury and endorsed by Your Committee in its Reports in recent years.

CHAPTER 19—DEPARTMENT OF WORKS

(i) DIVISION 610/03—FURNITURE AND FITTINGS—DEPARTMENT OF CIVIL AVIATION

Appropriation Act (No. 1) \$422,000, Appropriation Act (No. 3) \$70,000: Expenditure \$392,718

- Exhibit 96/73 582. This item provides for the furniture and fittings requirements of the Department of Civil Aviation in all States and Territories at establishments and airports.
- Q. 1699 583. The witness representing the Department of Civil Aviation said that client departments are limited in their choice of furniture by standards set for the Commonwealth Service. He said that entitlements for residences, of which his Department had quite a number, are fixed and the type of furniture is standard. Because of this, it was said that the furniture staff of the Department of Civil Aviation is able, within reasonable limits, to calculate the value of furniture requirements for a given period. We were told that the Department's estimates in this respect are discussed with officers of the Department of the Treasury, usually at the same time as the civil works programme is being discussed. A figure is suggested by the Department and this is settled in discussion with the Department of the Treasury. Authorisations for expenditure are then distributed by the Department of Civil Aviation to its State offices and draft requisitions prepared in those offices are passed to the relevant State Directors of Works. It was said that the Department of Civil Aviation would have cognizance of the possibility of ordering furniture within a given period, but that it would rely considerably on the Department of Works which is the purchasing authority in respect of the manufacture of and payment for furniture. It was acknowledged that it is the responsibility of the Department of Civil Aviation to ensure that furniture requested is needed within a given financial year or soon after.
- Q. 1700
- Q. 1701 584. The witness for the Department of Civil Aviation said that there is an area where it is difficult to define whether an item is furniture or office equipment. Insofar as an item can be clearly established as furniture, it is purchased by the procedure outlined, the Department of Works acting as the specialist Department. The Department of Civil Aviation, however, controls its own office equipment vote.
- Q. 1740 585. We were informed that in preparing the estimate for this item, allowance is first made by the Department of Works for the cash requirement needed to meet the liability carried forward from the previous year. To this is added an amount calculated from ordering schedules as indicated by sponsoring departments and an assessment of likely delivery and payment dates. It was said that the procedure involved has been set out in a Treasury circular and was determined

by the Department of Works in conjunction with the Department of the Treasury. We were told that the Department of Works has requested all departments to advise it of the stage in the financial year at which requisitions are likely to be placed so that an assessment can be made as to whether furniture will actually be delivered and paid for in the financial year. A review of likely requirements is undertaken in February in branch offices of the Department of Works in conjunction with sponsoring departments. The result of this survey is then analysed at the Head Office of the Department of Works. It was said that amounts are requested in the Additional Estimates, only if it is felt that these will be expended within the financial year. Q. 1705

586. The original estimate of \$422,000 appropriated under this item was based on outstanding liabilities at 1 July 1966 of \$100,833 for furniture and fittings ordered but not paid for in 1965-66 and on new and replacement furniture and fittings aggregating \$400,000, to be ordered in 1966-67. The figure of \$400,000 was determined by the Department of Works in conjunction with the Department of the Treasury.

587. On 28 February 1967, additional requirements in New South Wales, Victoria, Tasmania and Western Australia totalling \$128,000 were added to the approved programme. Because of this, an additional amount of 70,000 was included in the Appropriation Act (No. 3) to cover the estimated expenditure in respect of these items in 1966-67. Exhibit 96/73

588. The amounts and locations involved in the shortfall of \$129,000 in expenditure under this item are shown in Table No. 24.

TABLE No. 24: DEPARTMENT OF WORKS
DIVISION 610/03: LOCATION OF AND AMOUNTS INVOLVED IN SHORTFALL
IN EXPENDITURE

Location	Amount
	\$
New South Wales	60 000
Western Australia	68,000
Papua and New Guinea	1,800
Northern Territory	(a) n.a.
Total	129,800

(a) Not available.

Source: Department of Works.

New South Wales

589. With respect to the shortfall in expenditure by the Department of Civil Aviation for furniture and fittings in New South Wales, we were informed that the programme provision for 1966-67 had been increased by \$60,000 to provide for requirements, mainly floor coverings, in new accommodation at Waverton, Sydney. While allowance had been made in the February review of expenditure for most of this work to be completed in 1966-67, it was said that there had been a delay in the inclusion in the new works programme of partitioning and other associated Exhibit 96/73

works which were not included in the programme until 19 April 1967. Because of this, there was no expenditure in 1966-67 on the installation of floor coverings, blinds and furniture.

Q. 1709

590. The delay relating to partitioning and other associated services involved three buildings to provide accommodation for the regional office and training schools. In January 1967 the Department of Civil Aviation provided layout plans for two units and requested a cost estimate for the project from the Department of Works. The Department of Works considering that the plans could be improved on and amended plans were prepared and discussed with the Department of Civil Aviation in mid-February. These plans were forwarded to the Public Service Inspector, Sydney, for approval in February, but his approval was not received until 16 May 1967. The Department of Civil Aviation had advised the Department of Works in March that because of staff increases requiring organisational changes within the various branches of the Department, certain work would need to be withdrawn. A request was then made to the Department of Works for an estimate of the cost of the remaining work. An estimate of \$80,000 was given to the regional office of the Department of Civil Aviation in April with an indication that the work would be commenced in May 1967. A request for approval was then made by the Department of Civil Aviation to the Department of the Treasury and was granted immediately. It was said that at the time of the review of the furniture and fittings estimate it had been anticipated that this work would have been completed in the financial year.

Remote Locations—Western Australia

Exhibit 96/73
and Q.'s 1711
to 1715

591. Requisitions were received for the provision of thirty sets of household furniture for residences occupied by Department of Civil Aviation personnel in various remote localities in Western Australia. The estimated expenditure in 1966-67 on these items included the cost of delivery to the locations concerned. However, in March 1966, because of storage difficulties being encountered in the north of Western Australia the Department of Civil Aviation requested delivery of the furniture to be made to its Perth store and after the February review of expenditure indicated that it would not seek reimbursement of delivery costs from Perth to the outlying areas. This resulted in a shortfall in expenditure of \$15,000. Because the furniture vote under the control of the Department of Works includes provision for freight charges, these were included in the estimates in respect of this furniture made by the Western Australian Office of the Department of Works. In fact, the freight charges were met by the Department of Civil Aviation from its own vote which it was said, provided for freight charges on its own requirements. Inquiries regarding the freight charges were not made by the Department of Works until it was apparent that the project had not been finalised in the Department of Works ledgers. It was at this stage that confirmation was made of the fact that a claim would not be received.

592. In a subsequent submission to the Committee by the Department of Civil Aviation, reference was made to the misunderstanding that had occurred between the Department of Civil Aviation and the Department of Works concerning the payment of freight. It was said that although the Department of Civil Aviation requisitions were in respect of domestic furniture for specified establishments in north-west Australia, the requisitions nominated delivery to the Department of Civil Aviation store in Perth. It was also said that while the Department of Works had provided funds for the eventual delivery from the Department of Civil Aviation store to the north-western airports, the Department of Civil Aviation had not made a claim on the Department of Works for the freight charges.

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File 1967/5

593. The Department of Civil Aviation's original freight vote is not estimated on specific requirements for a given financial year but is calculated from previous expenditures and known factors which could vary the requirement. An amount of \$334,000 was made available to the Department of Civil Aviation for this purpose in 1966-67 in the Original Estimates and a further \$55,000 in the Additional Estimates. Virtually all of both amounts were expended. It was said that some \$5,500 in freight charges had been absorbed into the 1966-67 expenditure and freight for the remainder of the furniture was to be included in the 1967-68 appropriation.

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594. Of the thirty sets of furniture ordered, only sixteen had been redirected by 30 June 1967, the freight for these amounting to approximately \$5,500. It was claimed that this was lower than the estimate made by the Department of Works, mainly because a special freight rate had been negotiated by the West Australian Branch of the Department of Civil Aviation with the Department of Supply to carry the furniture in empty trucks proceeding to north-west Australia.

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Accommodation—Perth

595. Included in the \$128,000 approved for additional furniture requirements on 28 February 1967, was \$50,000 for items needed for leased accommodation in the Oakleigh Building, Perth, on the expectation that the major portion of this amount would be expended in 1966-67. However, access to the building for the laying of floor coverings and for the installation of curtains, blinds and metal shelving could not be obtained prior to 1 July 1967.

Exhibit 96/73
and Q's 1718
and 1719

596. Accommodation for the Department of Civil Aviation comprising some 22,000 sq ft on the 4th and 5th floors of the building, had been obtained by the Department of the Interior. The witness for the Department of Civil Aviation said that estimates of expenditure in respect of this accommodation, made by the Department of Works, would have been made on advice given by the Department of Civil Aviation. It was said that the Department of Civil Aviation had been negotiating through the Department of the Interior with the owner of the building and the information available to the client Department was

that it could occupy the building on 1 July. It was said that there had been a very firm arrangement whereby the Department of Works should have access to the building prior to that date, including the whole of the month of June, to install floor coverings, furniture and other items. However, the building project was delayed, mainly because neither of the two lifts in the building had been commissioned for some time later than had been originally intended. It was said that in these circumstances it had been almost impossible for the Department of Works to make its installation on the 4th and 5th floors of the building. It was not until April or May 1967 that the Department of Civil Aviation became aware of the fact that it could not occupy the premises until mid-July.

597. The Department's submission stated that an additional shortfall in expenditure of \$3,000 was incurred in respect of a number of standard furniture items ordered by the Perth Office of the Department of Works through its Adelaide Office, and which did not arrive in Perth until 28 June 1967, with the result that payment could not be effected in 1966-67. The witness informed us, however, that the order for this furniture had been placed on 9 March 1967, and that deliveries occurred progressively from 9 May to 18 July. Some of the furniture ordered had been destroyed by fire while awaiting delivery in a carrier's store in Adelaide.

Exhibit 96/73
and Q.'s 1723
to 1728

Papua/New Guinea

598. A shortfall in expenditure of \$1,800 occurred in Papua/New Guinea due to the cancellation by the Department of Civil Aviation in March 1967 of an order for two water coolers valued at \$453, and also because of the slow delivery by a local supplier of furniture valued at \$3,462, required by the Department of Civil Aviation at Madang. Cancellation of the order for water coolers occurred in March and was due to a transfer having been arranged of other coolers which had become surplus in other buildings. The witness informed us, however, that, as water coolers will be required in 1967-68, it would have been desirable to allow the order to stand. With respect to the delay in delivery of furniture, it was said that it is normal practice in the Department of Civil Aviation to follow-up outstanding orders with suppliers in order to ensure that delivery is made as required.

Exhibit 96/73
and Q. 1731

Q. 1732

Northern Territory

599. Furniture deliveries to the Northern Territory were delayed by some three months because of damage to the Sturt Highway by heavy rains in the latter part of 1966-67. The actual date of the placement of this order was not known. Payment had, however, been made for the furniture and the outstanding account was in respect of delivery charges.

Exhibit 96/73
and Q.'s 1734
to 1736

Conclusions

600. Your Committee notes that on 28 February 1967, additional requirements in New South Wales, Victoria, Tasmania and Western Australia totalling \$128,000 were added to the approved programme

and that accordingly \$70,000 was included in Appropriation Act (No. 3) to cover the estimated cost of these items. Of the shortfall of \$99,282 under this item, \$60,000 related to a failure to provide requirements mainly floor coverings, in new accommodation at Waverton, Sydney. The evidence shows, however, that when the Additional Estimates were being settled in March, the plans for two of the buildings concerned were still under consideration by the Public Service Inspector, Sydney, and that, in fact, his approval of the plans was not obtained until 16 May 1967. In addition, the Department of Civil Aviation notified the Department of Works in March of further changes in its requirements. In the circumstances as they were known, it is clear to Your Committee that the Department of Works was not justified in assuming that the necessary building work would be completed in time to allow the floor coverings and related requirements to be purchased and paid for in 1966-67.

601. In the case of requisitions received for 30 sets of household furniture for residences occupied by the Department of Civil Aviation personnel in remote localities in Western Australia, it appears that a change in requirements by that Department as to the delivery point for the furniture and a misunderstanding that arose between that Department and the Department of Works resulted in a shortfall of \$15,000 in expenditure.

602. Your Committee believes that the circumstances involved with the Oakleigh building, the non-delivery of furniture in Perth from Adelaide and delays that occurred in furniture deliveries in the Northern Territory were beyond the control of the Department.

603. In the case of the water coolers required at Madang, it appears that the order for new coolers might have been cancelled prematurely thereby giving rise to an unnecessarily shortfall in expenditure.

(ii) DIVISION 610/09: FURNITURE AND FITTINGS—DEPARTMENT OF IMMIGRATION

Appropriation Act (No. 1) \$24,000, Appropriation Act (No. 3) \$3,500: Expenditure \$24,332

604. This item provides for the requirements of the Department of Immigration for new and replacement furniture and fittings in offices, hostels, etc.

605. The Original Estimate of \$24,000 for this item was based on outstanding liabilities as at 1 July 1966, amounting to \$14,348 in respect of items ordered but not paid for in 1965-66 and on new and replacement furniture and fittings aggregating \$16,000 to be ordered in 1966-67.

Exhibit 96/74,
Committee
File 1967/5,
and Q.'s 1744
to 1766

606. Additional requirements for furniture and fittings in regional offices in Queensland (20 December 1966) and in Tasmania (28

Exhibit 96/74
and Q. 1756

Committee
File 1967/5

September 1966), totalling \$4,712 were added to the approved programme prior to the February review of expenditure and we were informed that it was on the basis of these additional requirements that \$3,500 was sought in the Additional Estimates. Expenditure recorded under this vote when the review of expenditure was conducted on 28 February 1967 amounted to \$18,425.

Exhibit 96/74
and Q. 1748

607. A shortfall in expenditure of \$809 occurred because an acceptable tender of \$1,791 was received for the supply and laying of linoleum tiles in Block G at the Bonegilla Centre, Victoria, as against a provision of \$2,600 for the work. Also, the supply and laying of vinyl tiles to the ablution area at the Bonegilla Centre, at an estimated cost of \$1,646 was authorised in April 1967 in the anticipation that expenditure of this amount would be achieved in 1966-67. However, work on the project was delayed until 7 July and was not completed until 30 July with the result that no expenditure occurred on this particular project prior to 30 June 1967.

Exhibit 96/74
and Q. 1751

608. A bulk requisition valued at \$2,000 was issued by the Department of Immigration early in the financial year in respect of furniture and fitting requirements for the Bonegilla centre, each estimated to cost less than \$400. The Department of Works' submission stated that although items to the value of \$750 only had been requested by the Department of Immigration up to February 1967, it was expected that the full amount of the requisition would be used. The witness representing the Department of Works, however, informed us that following the preparation of the departmental submission it had been ascertained that two requisitions lodged in the last few days of the financial year 1965-66 had been carried forward into 1966-67 and authorised against the \$2,000 bulk provision in 1966-67. The actual sub-requisitions lodged against the \$2,000 requisition as at February 1967 therefore amounted to \$1,010 and not \$750 as referred to in the submission.

Exhibit 96/74
and Q. 1752

Q. 1757

609. We were informed that a liabilities register is maintained by the Department of Works and that each requisition is subject to a separate authorisation in an appropriation ledger. Each order placed is noted as a liability against its authorisation and the liabilities against each authorisation are reduced as payments are made. As each liability is converted to expenditure the outstanding liability provides a reducing balance. It was claimed that this procedure enables an assessment to be made as each order is placed and also in respect of commitments against each authorisation which arise from requisitions lodged by the sponsoring departments.

Q. 1756

610. The witness representing the Department of Works agreed that had a detailed pro-rata record of commitments been maintained, the Department would probably have discovered, when reviewing its expenditure in anticipation of the Additional Estimates, that the amount of \$3,500 was not required.

Conclusions

611. It appears to Your Committee that the Department was not justified in seeking further funds in the Additional Estimates for this item on the basis of new additions to the approved programme without also examining carefully the expenditure that had occurred under the item and prospective expenditure in regard to projects for which funds had been provided in the Original Estimates. In the case of the bulk requisition for \$2,000 Your Committee is concerned by the fact that it was not discovered until after the close of the financial year 1966-67 that two requisitions lodged in the final days of the financial year 1965-66 had been carried forward into 1966-67, and authorised against the bulk provision. Circumstances of this nature reflect a need for improved financial control.

(iii) DIVISION 615/18: REPAIRS AND MAINTENANCE—
DEPARTMENT OF TERRITORIES

Appropriation Act (No. 1) \$9,000, Appropriation Act (No. 3) \$500:
Expenditure \$8,276

612. This item provides for repairs and maintenance requirements of the Department of Territories in offices and other accommodation in the States and the Australian Capital Territory. Exhibit 96/75

613. The original appropriation of \$9,000 was based on works-in-progress as at 1 July 1966, amounting to \$2,342 and on new repairs and maintenance works valued at \$8,600 to be commenced in 1966-67. An additional amount of \$500 was included in the Appropriation Act (No. 3) to provide for estimated expenditure in respect of the repairs and maintenance component of partitioning and associated work in Aviation House, Melbourne, which was proceeding more rapidly than had been originally anticipated. Expenditure recorded under this vote to 28 February 1967 amounted to \$5,699.

614. The major items involved in the underexpenditure were in respect of Aviation House, Melbourne, a requisition in New South Wales, and Derwent House in the Australian Capital Territory.

615. The partitioning work at Aviation House, Melbourne, was supervised by the building owner's consultant as provided for by the terms of the lease and payments were made to the contractor after certification of claims by the consultant. It was said that although the work was completed as planned, practical completion of the project being certified on 20 April 1967, claims for the contractor, after being processed by the consultant, were received too late to effect payment prior to the closing of accounts. The first progress claim of \$4,758 was made by the contractor on the consultant on 9 March 1967. This was certified by the consultant and forwarded to the Department of Works on 20 March 1967. Payment was made on 14 April 1967. The progress claim for semi-final payment of \$2,078, was made on the consultant by the Q. 1763
Committee
File 1967/5

Q. 1768 and
Committee
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contractor on 8 April 1967. This claim, together with an approved additional \$439, was forwarded by the Consultant to the Department of Works on 22 May 1967. The claim was adjusted to \$2,575 because of a reduction in retention monies in view of the physical completion of the project. Payment was effected on 11 July 1967. It was said that prior to settlement of this claim, a close examination of payments to contractors was made and that this was the reason for the semi-final payment not being made in 1966-67.

Q.'s 1788 and
1781-1782

616. Two requests for work totalling only \$528 were received against an estimated expenditure of \$800 in New South Wales. These requests, valued at \$150 and \$360 were made on 5 and 6 October 1966 respectively. The requisition for work to the value of \$500 in Derwent House, Canberra, was received by the Department of Works in August 1966, and an amount of \$237 was brought to account against this requisition during October and December 1966. The witness for the Department of Territories said that these amounts of \$800 and \$500 are provided for maintenance work which occurs regularly and probably without notice as in accidental damage. It was said that while it would be difficult to estimate accurately this type of expenditure the appropriation for this item has been fully used in previous years.

Conclusions

617. While Your Committee appreciates the circumstances surrounding the partitioning work at Aviation House, Melbourne, we believe that, based on its experience of the problems of processing claims, the Department was not justified in seeking a further \$500 in the Additional Estimates.

(iv) DIVISION 760: BUILDINGS, WORKS, FITTINGS AND FURNITURE

Appropriation Act (No. 1) \$13,326,000: Expenditure \$11,586,703

Exhibit 96/97

618. This item provides for the capital works and services and the fittings and furniture requirements of the Department of Air in all States and Territories.

TABLE No. 25: DEPARTMENT OF WORKS
DIVISION 760: SHORTFALL IN EXPENDITURE: BY STATE
(1966-67)

State	Amount
	\$'000
Victoria	200
Queensland	775
Western Australia	410
Northern Territory	620
Total	2,005

Source: Department of Works.

619. The original appropriation of \$13,326,000 was based on works-in-progress at 1 July 1966, totalling \$12,399,636 and new works estimated to cost \$16,283,900 to be commenced in 1966-67. The shortfall in expenditure in respect of this item is shown, by State, in Table No. 25.

620. While the total shortfall in expenditure shown in Table No. 25 is \$2,005,000, the details of the shortfall submitted in evidence by the Department of Works totalled \$1,902,500 while unexpended funds amounted to \$1,739,297. We were told that the explanation for this apparent inconsistency is that the shortfall had been offset by some overexpenditure of allocated funds within the total appropriation. Q. 1785

Victoria

621. Underexpenditure in Victoria was in respect of the W.R.A.A.F. sleeping quarters at Tottenham. This project was included in the 1965-66 works programme at \$290,000 and tenders were invited for it in March 1966. Tenders received ranged between \$312,607 and \$374,242. The Department of Air considered the cost to be too high and requested that means of reducing it be examined. The price reduction offered by the lowest tenderers for proposed variations to the work were said to have been unacceptable and it was proposed that fresh tenders be invited early in 1966-67 which would have enabled substantial completion of the project in that year. Because the scope of the work had to be reduced the project had to be re-documented, and it was claimed that due to the employment of design staff on other urgent works, it was not possible to complete the documentation for the calling of tenders until March 1967. Because of this there was a shortfall in expenditure of \$200,000. Exhibit 96/76
Committee
File 1967/5

622. While the witness for the Department of Works was not sure of the design stage of the project at which the original estimate of \$290,000 was made, he expressed the opinion that this estimate was not unrealistic and could have been based on knowledge of the departmental requirements prior to the planning stage. He also informed us that the re-design of the project included a reduction in the area of the building, conversion of the construction material from brick to brick veneer and a change in the chosen finishing material to another requiring a higher level of maintenance. He also claimed that the state of the building industry was more favourable from a tendering point of view in March 1967 than it was in March 1966 and that this contributed to the reduction in cost. Q.'s 1787 to
1797

623. The witness for the Department of Air informed us that when the original tenders were received, they were considered to be rather high and that based on similar work undertaken on previous occasions, a tender would have been expected to approximate the estimated cost. A request was made to the Department of Works regarding the possibility of obtaining a less lavish design than that proposed and one that would Q.'s 1795 and
1798

be closer to the estimated cost. Following design variations, the accepted tender was some \$30,000 lower than the lowest tender received in the first instance.

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File 1967/5

624. In a supplementary submission to the Committee made by the Department of Air, it was said that it was not possible to produce a precise reconciliation between the tender originally recommended by the Department of Works and that eventually accepted due to the fact that the contractor who submitted the original tender was not retained subsequent to the redocumentation of the project and also because no detailed cost analysis was submitted for the initial contract against which the analysis accompanying the current contract documents could be compared. It was claimed by the Department of Air that no specific cost reduction could have been attributed to the alleged regression in the building industry in Victoria which was said to have favoured lower tendering rates in that State.

Committee
File 1967/5

625. It was said that the Department of Air's concern was not only with the difference between the estimate of \$288,492 and the tendered price of \$316,679 but more particularly with the difference between the initial estimate provision of \$261,300 and the tendered price. The Department's business adviser considered the programmed provision to be high, but prior to the calling of tenders the Department of Works advised in March 1966 that the estimated cost had increased to \$288,492. It was claimed that in these circumstances, the approving authorities within the Department of Air regarded the revised estimate as an absolute upper limit and were reluctant to agree to any design elements exceeding normally accepted standards if additional cost was involved.

Committee
File 1967/5

626. It was the opinion of the Directorate of Works and Buildings within the Department of Air that such excesses were contained in the proposed design and these were therefore specifically nominated for deletion by contract variation. The variations to the contract specified by the Department of Air were in respect of the recreational facilities annex and the other ranks sleeping quarters. Variations to the contract in respect of the former building consisted of a reduction in the area of the annex by approximately 20 per cent, in order to align it with the area initially approved by the Department of Air in preliminary drawings on which the estimated cost of \$261,300 was based.

Committee
File 1967/5

627. It was also said that it should be appreciated that the substitution of materials requiring higher maintenance was not a general variation throughout the project. In those instances where substitution occurred the materials chosen would not involve a maintenance commitment higher than that generally accepted as standard in R.A.A.F. domestic accommodation design which is characterised by its low maintenance requirement. It was claimed by the Department of Air that the decision to revise the project had been vindicated in that a total saving of \$30,076 had been effected while a complex of buildings has been

retained whose standard of construction and finish is consistent with the quality structures which typify current design practice in R.A.A.F. domestic accommodation.

Conclusions

628. In regard to the provision of sleeping quarters at R.A.A.F. Tottenham, it appears to Your Committee that funds were sought for inclusion in the Original Estimates based on a departmental assessment of likely cost and prior to the closing of tenders for the project. In view of the problems and delays that occurred following the closing of tenders it appears clear that funds for this project were sought prematurely.

Queensland

629. Projects on which a shortfall in expenditure was incurred in Queensland and the amounts involved are shown in Table No. 26. Exhibit 96/76

TABLE No. 26: DEPARTMENT OF WORKS
DIVISION 760: SHORTFALL IN EXPENDITURE. AMBERLEY, QUEENSLAND:
BY PROJECT AND AMOUNT
(1966-67)

Project	Amount
	\$'000
Relocation of temporary accommodation	30
Electrical reticulation	150
Run-up revetments	30
F-111 engine workshop	40
Extensions to emergency power house	50
Aircrew simulator building	85
Electronic systems workshop	200
F-111 maintenance hangar	60
Electroplating shop	20
Central battery station	13
Facilities for 144 Mobile Control and Reporting Unit	20
Provision of engineering services	50
Total	748

Exhibit 96/76

Source: Department of Works.

630. Of the total appropriation of \$13,326,000 under this item \$2,180,000 was planned for expenditure in Queensland, mainly on works at Amberley. It was claimed that underexpenditure of \$775,000 occurred because work on the projects listed in Table No. 26 did not proceed as originally anticipated.

Relocation of Temporary Accommodation

631. This project provided for removal and relocation of huts to provide sites for new buildings. It was envisaged that this amount would be spread over four to five years, the huts being moved whenever opportune. The shortfall in expenditure of \$30,000 resulted from the non-removal of the existing W.R.A.A.F. quarters, consisting of eight huts requiring not only removal but extensive rehabilitation. The removal was expected to be effected in 1966-67 but did not take place.

Exhibit 96/76
and Q. 1800

At the time of our Inquiry, the huts were still being occupied by W.R.A.A.F. personnel.

Electrical Reticulation

Exhibit 96/76
and Q.'s 1801
to 1803

632. It was claimed that slow progress by the Southern Electric Authority of Queensland, which is designing and constructing this work valued at \$440,000 was responsible for a shortfall in expenditure of \$150,000 in 1966-67. We were told that orders were placed with the State Authority from February 1966 to May 1967 and that an order for the major item of \$229,760 was lodged with the Authority on 1 February 1966. It was said that the Authority would be engaged on the basis of cost estimates which it had supplied. These estimates would have been compared with estimates which the Department of Works considered a reasonable figure. It was also said that the estimated cost of \$440,000 could include works being undertaken by authorities other than the Southern Electric Authority. While the resources of that Authority are used by the Department of Works to some extent, the Department is unable to request construction work to be undertaken by it at the convenience of the Department of Works.

Run-up Revetments

Exhibit 96/76
Committee
File 1967/5
and Q.'s 1804
to 1813

633. We were informed that a run-up revetment is an enclosed U-shaped built up embankment used for the protection of aircraft and for the prevention of noise dispersion. Work on this project had not progressed as anticipated and payments had been withheld from the contractor pending the correction of faulty work. While details of faulty work could not be given, it was said that the standard of the work performed would be below that required by the Department of Works. The contract provided for completion of 4 April 1967 and liquidated damages have been applied since 17 May 1967. It was claimed that the lack of progress on this project was responsible for a shortfall in expenditure of some \$30,000. The procedure involved in the liquidation of damages provides for a deduction by the Department of Works of the amount involved from the amount due to be paid to the contractor. This amount is paid into revenue. The amount of liquidated damages in respect of this contract was \$3,030 at 19 September 1967. At the time of our Inquiry it was expected that the project would be completed by 31 October 1967.

F-111 Engine Workshop

634. There was a shortfall in estimated expenditure of \$40,000 in respect of this project in 1966-67. The contract provided for completion of the workshop on 17 April 1967. This was not achieved, however, and liquidated damages were applied on 25 April 1967.

Extensions to Emergency Powerhouse

Exhibit 96/76
Committee
File 1967/5
and Q.'s 1814
to 1840

635. This project involved the supply and installation of generator sets and associated switchgear together with associated building exten-

sions. Switchgear valued at \$25,000 was ordered directly and without tender in June 1966 from the Southern Electric Authority of Queensland. We were informed that the Department of Works determines when tenders will be invited for a project and that while this was part of its work programme, having regard to the design and documentation of the project, the sponsoring Department indicates its technical requirements in the initial design stages. We were informed that the types of equipment to be provided by the Southern Electric Authority of Queensland are 11KV indoor bulk oil circuit breakers—Reyrolle LNT Units and that Reyrolle 11KV JK SS ring main units will also be located at the powerhouse. Reyrolle circuit breakers type LNT are installed in existing installations at Amberley. It was said that equipment has been selected for the new emergency powerhouse to provide for standardisation with equipment generally used by the Southern Electric Authority of Queensland in its area and to match the circuit breakers already installed at Amberley.

636. In regard to the generators, tenders were invited in July 1966 for two 750kW units or two 1,000kW units or three 750kW units. The tenders closed in September 1966. Between that time and December 1966, the Department of Works evaluated the tenders and then asked the Department of Air to indicate its decision as to which of the alternative units it desired. We were informed that the delay of three months whilst the Department of Works made its evaluation of the tenders was not abnormal. The Department of Air notified the Department of Works of its decision in February 1967. In this regard the witness for the Department of Air stated that his Department is required to examine the recommendations made by the Department of Works and the delay that occurred while this examination was made in the present instance, had not involved any inconvenience. The technical personnel of the Department of Air considered that the increased cost from \$288,000 for two 750kW units to \$319,000 for two 1,000kW units was worth the additional advantages to be gained from the higher capacity equipment.

637. Approval for the increased cost involved was obtained from the Department of the Treasury in March 1967 and tenders for the necessary building alterations were invited in April 1967. Because of the delay involved in deciding on which sets were to be installed and in the commencement of work, there was an estimated shortfall in expenditure of \$50,000.

Aircrew Simulator Building

638. A tender for this project was accepted in November 1966. During the period January to June 1967 rainfall of about 60 per cent above average was said to have had a delaying effect on the contractors' progress and to have been responsible for a shortfall in expenditure of \$85,000. Exhibit 96/76

Electronic Systems Workshop

Exhibit 96/76,
Q.'s 1841 to
1846 and 1853

639. The invitation of tenders for this project was planned for October 1966. It was claimed, however, that due to the lack of design requirements, that is lack of adequate guidance from the Department of Air which delayed planning, tenders were not invited until the end of February 1967 which precluded expenditure of \$200,000 in 1966-67.

640. It was said that information in respect of equipment to be installed was not available and because of this, design of the airconditioning plant was not possible. In an effort to complete the design, work on it proceeded without final test bench information and some electrical detail. This was obtained in October 1966 following direct consultation with the Department of Air on this and other projects.

641. It was also claimed that due to design changes made by the Department of Air during the documentation stage of the staff training building and also because of higher priority allotted to the training building, it had been necessary to divert staff from the Electronics Systems Workshop to overcome the delay resulting from the design changes in the Training Building. The resulting estimated shortfall in expenditure was \$200,000. The witness for the Department of Air indicated that the Electronic Systems Workshop needed to be included in the works programme if any work was to be completed to meet the phasing in of aircraft. It was said that in this instance, it had been known to the Department of Air at the time of the acceptance of the proposal into the works programme that all of the design information was not available. It was considered, however, that it would have been available six months later.

642. A revised schedule of training equipment was provided on 6 December 1966. This deleted several items of training equipment and also provided details of power and hydraulic services required for the simulator. The Air Attache, in Washington, advised the Department of Air on 26 January 1967, that a proposal to reticulate 115 volt 400 HZ and 28 volt DC power to trainers in lieu of 415 volt 50 HZ had been received. This was recommended to the Department of Works because of the reduction involved in the cost of power conversion equipment. It was said that the Department of Air had been progressively advised of information which would affect the design of the ultimate requirement and that as this information became available, it was passed on to the Department of Works. However, this was not received in time for the Department of Works to deliberate on plans and design.

F-111 Maintenance Hangar

Exhibit 96/75
and Q.'s 1847
to 1855

643. In February 1966, sketch plans embodying the requirements of the Department of Air for the F-111 Maintenance Hangar had been completed by the Department of Works and in the same month the Department of Air was provided with the sketch plans and cost estimate.

On 12 April 1966 the Department of Air confirmed that the design of this project could proceed on the basis of sketch plans that had been submitted to it subject to minor amendments. Between 12 April and 1 June 1966, a brief was prepared in the Department of Works for the consultant who was engaged on 1 June 1966 to prepare the drawings. We were told that the period of five to six weeks taken in the preparation of the brief for the consultant would be the normal period of time for a project of this size and complexity.

644. Verbal advice was received on 28 June by the Department of Works from the Department of Air that the size of the hangar would need to be varied. This advice was confirmed on 8 July. It was said that the reason for this change was that during the visit by Australian Officers to the United States of America in April-May 1966, the Department had been made aware of an aircraft modification proposed by the United States Air Force and the question arose of deciding whether or not this modification should be accepted. The variation involved an increase in the length of the hangar by 24 feet to provide for an extra bay. This involved modifications of working drawings which at that time were being prepared by the consultant. On 21 September, the Department of Air was advised by the Department of Works that, because of the need to complete the plans for the calling of tenders, further changes would not be incorporated in the documents. It was said, that it had been intended that any variation between these points should be incorporated during the construction of the hangar.

645. Following a recommendation by the Commonwealth Fire Board, it was decided that a deluge system should be provided in the hangar and that considerable research and re-design was involved to determine the type to be installed. This system had not been incorporated in the original sketch plans.

646. Public tenders for the construction of the hangar were invited on 20 January 1967 and the Department of Air was advised that the cost estimate for the project was \$1,225,000 based on complete documentation and that it would be advised of the result of tenders received together with a further cost estimate based on the acceptable tender. Tenders closed on 21 February 1967. On 22 March 1967 the Department of Air was advised that the estimated cost based on an acceptable tender was \$1,220,000. On 2 May 1967 a works requisition was received from the Department of Air and on 5 May 1967 a tender was accepted. It was indicated that the delay involved in the receipt of the works requisition was due to the need for consideration by the Department of Air of the costs involved and also in obtaining approval from the Department of the Treasury for expenditure of additional funds required. It was said that the six weeks involved in this was reasonable for this purpose. There was no expenditure on this project in 1966-67 and the consequent shortfall was estimated to be \$60,000.

Electroplating Shop

647. This project was planned for the invitation of tenders in December 1966. The original requirements were received by the Department of Works in September 1965 and notification of variations was received in April 1966 and confirmed in May 1966. A private consultant was engaged in May 1966 and on 27 July sketch plans were submitted to the Department of Air with the request that it advise the Department of Works by 31 August 1966, whether the sketch plans were acceptable and whether the project was to proceed at the estimate quoted.

648. Advice of further amendments required by the Department of Air was received by the Department of Works in September 1966 which the Department of Works claimed, seemed to indicate some misunderstanding of the plans. It was subsequently suggested that officers of the two departments should meet to discuss the plans. In November 1966, as a result of this meeting agreement was reached on plans and arrangements, which were, in fact, those originally submitted by the Department of Works. The witness for the Department of Air indicated that there had been no real misunderstanding. He said that the electroplating shop is a complex facility and the Department of Air considered the estimated cost was too high and there was a desire to confirm that the design, as envisaged by the consultant, was in fact economic and serviceable. This delay prevented completion of documentation for the calling of tenders until April 1967. It was said that following concurrence in the sketch plans it had been necessary to proceed with more detailed documentation of the project, and that the time involved was not considered to be unreasonable given the complexity of the project. The delay involved in documentation resulted in an estimated shortfall in expenditure of \$20,000.

Central Battery Station

Exhibit 96/76

649. This project proceeded as planned and a tender was accepted in March 1967. However, the contractor experienced bad weather conditions which delayed construction and was said to have been responsible for an estimated shortfall in expenditure of \$13,000. Rainfall in the area during the period January to June 1967 was some 60 per cent above the average.

Facilities for 144 mobile control and reporting units

Exhibit 96/76
and Q.'s 1863
to 1865

650. Tenders were invited as planned for mobile control and reporting units in February 1967. In April 1967, however, the Department of Air requested variations to be made. The witness for the Department of Air informed us that the changes made were mainly due to information received from overseas suppliers of the units and involved changes to 50 cps and 400 cps power requirements. The last increase in 400 cps power requirements called for a larger building to house the equipment provided by the contractor, as well as adjustments to cable lengths, an additional concrete pad for the remote workshop, additional cable

trays to carry radar cables between pads and an additional earthing system at the operations pad. A revised cost estimate including the variations was given to the Department of Air in May 1967. Approval for the increased expenditure by the Department of the Treasury was not received until 22 June 1967 and this excluded the possibility of expenditure in 1966-67. The resultant shortfall in expenditure amounted to \$20,000.

Provision of Engineering Services

651. This project provided for the construction of stormwater drainage and roadworks in the 82 wing area and stormwater drainage in the 3AD area at Amberley. In the 82 wing area provision had been made for the connection of the laterals which were being designed progressively as details of the buildings and pavements to be served became available from the Department of Air. However, because of delays which had occurred in various other projects, i.e., the Aircrew Simulator Building, the Electronics System Workshop, the F-111 Maintenance Hangar, the Electroplating Shop and the Central Battery Section, the connection of laterals was delayed. In the 3AD area, provision was made for the connection to stormwater drainage on completion of the proposed internal roadway in the vicinity of the officers' quarters and swimming pool. However, the construction of this roadway did not proceed because of alterations made in the location of buildings. It is estimated that there was a shortfall in expenditure of \$50,000 in respect of these services.

Conclusions

652. It appears to Your Committee that the shortfalls that occurred in expenditure in respect of electrical reticulation; run-up revetments; the F-111 workshop; the air crew simulator building; the central battery station; facilities for the 144 mobile control and reporting unit, and the provision of engineering services, were beyond the control of the Departments concerned. The evidence shows, however, that although the relocation of temporary premises, the extensions to the emergency powerhouse, and the electroplating shop were duly included in the Works Programme, financial provision for these projects was made prematurely in the Original Estimates for 1966-67.

653. In respect of the electronic systems workshops it appears that a delay in the invitation of tenders was due to the lack of adequate guidance supplied to the Department of Works by the Department of Air in respect of design requirements. Your Committee appreciates the nature of the problems associated with rapid technical change which confronts the Department of Air in this area and of its work and the need to include the workshops in the Works Programme to accommodate the phasing in of aircraft. At the same time, however, we would emphasise the need for caution in seeking funds for inclusion in the Original Estimates for projects which are known from experience

to be subject to technical changes of the type that occurred. We believe that these remarks apply similarly to the case of the F-111 maintenance hangar.

Western Australia

Exhibit 96/76

654. The estimated cost of the works programme for the Department of Air in Western Australia in 1966-67 was \$1,200,000. Actual expenditure, however, amounted to only \$790,000. The main projects involved in the underexpenditure of \$410,000 are shown in Table No. 27.

TABLE No. 27: DEPARTMENT OF WORKS, WESTERN AUSTRALIA
DIVISION 760: SHORTFALL IN EXPENDITURE
(1966-67)

Exhibit 96/76

Location	Project	Amount
		\$
Cocos Island .	Improvements to airfield	54,500
Pearce	Facilities for jet trainer	20,000
	W.R.A.A.F. Sleeping facilities	} 120,000
	Cadets accommodation	
	Administrative and training facilities	100,000
	Concrete hardstands and refuelling facilities	10,000
Gin Gin . . .	Satellite airfield	60,000
	Total	364,500

Source: Department of Works.

Cocos Island—Improvements to Airfield

Exhibit 96/76,
Q. 1879 and
Committee
File 1967/5

655. A component part of this project carried out by the Departmental labour force and estimated to cost \$85,500 was completed at a figure of \$30,500 below the estimated cost. A report prepared by a project officer of the Department of Works suggested that because of the rain-fall pattern on the Island allowance should be made for a considerable amount of lost time on the project. To provide for this expected rain-fall, allowance was made for two working days in three. However, during the period in which the project was undertaken, 13 September to 12 November 1966, ideal weather conditions were experienced and only 22 points of rain were recorded. As a result, not one working day was lost. Actual working hours on the project numbered 5,800 as against an estimated 9,000 hours.

Exhibit 96/76
and Q. 1877

656. A second component of the project, estimated to cost \$50,000 in 1966-67, was carried out by the Department of Civil Aviation and it had been expected that the accounts for this would be finalised in the same year. However, an account was not received from the Department of Civil Aviation as the Western Australian Branch of that Department was unable to determine the final cost of the project due to a rearrangement that was being made to centralise its costing system through the use of computers.

Pearce—Facilities for Jet Trainer

657. This project included the erection of a central battery building for which a tender was accepted in March 1967. However, due to the fact that the soil in the Pearce area has a clay content and become practically unworkable during wet conditions, very little physical progress was achieved before the close of the financial year. Rainfall during April and May 1967 was said to have been more than twice the average for these months and the contractor's foundation work was continually interrupted by wet weather. There was an estimated shortfall in expenditure of \$20,000 on this project.

Exhibit 96/76

Pearce W.R.A.A.F. Sleeping Facilities and Cadets' Accommodation

658. These projects were documented by a private consulting firm, which was engaged for two separate commissions to prepare working drawings for each of these projects. As planned tenders were called for the W.R.A.A.F. accommodation on 22 October 1966, closing on 22 November 1966 and for the Cadets' accommodation on 12 November 1966, closing on 13 December 1966. The Consultants advised the Director of Works, Perth on 29 November 1966 of a number of discrepancies, both in the specifications and in the working drawings which required adjustment prior to acceptance of a tender. Subsequently, on 12 December 1966, the Director of Works was again advised by the consultants of further discrepancies. Addenda were prepared by the consultants correcting the errors and omissions and these were received from the consultants on 9 December 1966, in respect of the W.R.A.A.F. accommodation and on 6 January, in respect of the cadets' accommodation. The addenda were issued to the lowest tenderer in each case and amended tender prices were requested.

Exhibit 96/76,
Q. 1880 and
Committee
File 1967/5

659. It was said that as the errors and omissions were detected by the consultant prior to the closing of tenders for both projects, the Department was able to negotiate prices for the work prior to the acceptance of tenders. It was claimed that since the prices accepted represent the cost to the Commonwealth of the actual services required and as similar costs would have been involved if these items had been correctly included in the original documents and drawings, there was no additional cost to the Commonwealth in respect of the amendments made. There was a delay of some two months in the acceptance of tenders for these projects due mainly to these errors. It was said that the contractors' Christmas stand-down and weather conditions during April and May were contributing factors in the delay. The shortfall in expenditure in respect of these projects was estimated to be \$120,000. The witness for the Department of Works indicated that while the errors should not have occurred they could have been detected by his Department as documents produced by consultants are subjected to check by the Department of Works. The witness thought that a complete check of the documents is not made in cases where private consultants are paid by the Department to produce them.

Q.'s 1888 to
1891 and
Committee
File 1967/5

Pearce—Administrative and Training Facilities

Exhibit 96/76

660. A statement of the requirements of this project was received from the Department of Air in February 1966 and formed the basis of the estimate of \$600,000 included in the 1966-67 Works Programme. However, amendments to the original request were received from the Department of Air in June 1966 involving an increase in the area of the building. Subsequently sketch plans and cost estimates for the facilities were revised.

Q.'s 1894 to 1898

661. The amendments required that classrooms be increased in size to provide for 25 square feet per person instead of the original 14 and also for briefing cubicles to be increased from 48 to 60 square feet. When questioned as to why these changes had not been foreseen earlier, the witness for the Department of Air said that in discussions with the Department of Works, it was found that while rooms would accommodate students' chairs with writing platforms, the size of the rooms was inadequate for the accommodation of the desks and chairs that were required. It was said that this was an error on the part of the Department of Air, and that the original requirements was prepared by the Works and Training sections within that Department. A revised cost estimate of \$800,000 was given by the Department of Works after which a further review was undertaken by the Department of Air in order to reduce costs. The requirements of the Department of Air were finally confirmed in November 1966.

Exhibit 96/76

662. Because of the delay in finalising planning details, documentation could not be completed in time to allow the calling of tenders in February 1967 as had been planned and the project was carried forward to the 1967-68 works programme. Had this project proceeded as originally planned an estimated expenditure of \$100,000 would have been incurred.

Pearce—Concrete Hardstands and Refuelling Facilities

Exhibit 96/76
and Q. 1899

663. When this project was included in the 1966-67 works programme at an estimated cost of \$200,000, details of the work involved were not known to the Department of Works, but it was expected that these would be available to enable tenders to be invited in March 1967. It was said that this expectation was based on liaison with the appropriate officers of the sponsoring department. It was also said that it is on the advice of sponsoring departments, that requirements will be available by a certain date, that a determination is able to be made as to when planning can be commenced and completed and that this in turn determines target dates for the invitation of tenders.

Exhibit 96/76
and Q. 1900

664. Details of the concrete hardstands were provided by the Department of Air in October 1966, but it was said that there was a need for substantial additional level survey to be undertaken of the area before drawings could be commenced. Alternative proposals for refuelling facilities were given to the Department of Air in June 1966 but firm

details of requirements were not received by the Department of Works until December 1966. We were informed that the sizes of existing tanks, which range from 6,000 to 32,000 gallons were found to be too small for the increased demand for fuel and the general policy of the Department of Air on tank sizes to cope with increased storage requirements throughout the Commonwealth was under review. The failure to complete this review was said to have caused the delay in settling the Department of Air's detailed requirements for hardstands and this resulted in a shortfall of \$10,000.

Gin Gin—Satellite Airfield

665. This project was planned to be effected in two stages, tenders being invited in October 1966 for access roads, clearing, fencing and water supply, and in March 1967 for the main airfield runway. Tenders for the first stage were invited as planned in October 1966 and closed in November 1966. It was said that a favourable tender price was received which led to a saving in costs.

Exhibit 96/76
and Q. 1902

666. In March 1967, however, the Department of Works suggested a more appropriate standard of kangaroo-proof boundary fence and construction of the fence was delayed. As a result of these there was an estimated shortfall in expenditure of \$13,000. We were told that it is not unusual for modifications to be suggested to sponsoring departments by the Department of Works during the design stage of a project and that in this instance the modification arose from a consideration of the design of the fence.

Exhibit 96/76
and Q. 1903

667. The planned date of March 1967 for the calling of tenders for the runway was based on survey information being available by mid-July 1966. However, the survey, carried out by the Department of the Interior, was not completed until December 1966. Because of this, documentation could not be completed for the calling of tenders until May 1967. We were told that the Department of the Interior had advised the Department of Works that it was not possible to complete the survey before December 1966 and that it was subsequently pointed out to the Department of the Interior that deferment of completion of the survey was delaying the design of the project. It was said that the Department of Air would not have been approached on this matter which is a design function of the Department of Works. The shortfall in expenditure on the project was estimated to be \$60,000.

Exhibit 96/76
and Q.'s 1904
to 1909

Conclusions

668. Your Committee finds that the shortfall in expenditure at Cocos Island was beyond the control of the Department. However, part of the shortfall arose from the inability of the Department of Civil Aviation to determine final cost for a component of the project, due to the conversion of its costing system to automatic processing. We believe that

departments engaged in conversions of this nature should ensure, wherever possible, that the rendition of accounts is not delayed during the process.

669. In regard to the provision of facilities at R.A.A.F. Pearce, the evidence shows that the shortfall in expenditure relative to jet trainers was beyond the control of the Department. In the case of sleeping quarters and cadets' accommodation it appears that errors and omissions made by a private consulting firm in the documentation of these projects caused a delay in the commencement of the work concerned and a consequent shortfall in expenditure. On the admission of the witness, however, it is clear that these errors and omissions should have been detected by the Department of Works during its check of the documentation. The evidence also shows that the basic planning of the administrative and training facilities at Pearce was inadequate and that consequently funds were sought prematurely for this project in the Original Appropriation.

670. Your Committee notes that the concrete hardstands and refuelling facilities at R.A.A.F. Pearce was included in the Works Programme for 1966-67 before details of the work required were submitted to the Department of Works and that a failure by the Department of Air to determine a new policy on fuel storage requirements resulted in this project being carried forward in its entirety into the 1967-68 Works Programme. In the circumstances the provision of funds for this work in 1966-67 was premature.

671. In the case of the satellite airfield project at Gin Gin it appears that tenders were invited in October 1966 for Stage 1 but, some five months later, in March 1967, the Department of Works suggested a more appropriate standard of kangaroo-proof boundary fencing. This delayed Stage 1 of the project and caused a shortfall in expenditure. The circumstances of this case reflect a clear need for changes of this nature to be resolved prior to the invitation of tenders. Not only do changes of this nature delay the completion of the work and give rise to the likelihood that the funds provided will not be required in the financial year concerned, but they can also prove expensive and time consuming to tenderers. In the case of Stage 2 of the project which related to the runway itself, the evidence shows that a delay occurred when the Department of the Interior was unable to complete a survey in the area until December 1966 which it had been expected would be completed in the previous July. The resulting shortfall in expenditure on the project amounted to \$60,000. In the circumstances your Committee finds a need for closer liaison between the Departments concerned.

Northern Territory

672. Actual expenditure by the Department of Works under Division 760 during 1966-67 in the Northern Territory was \$1,370,000 compared with an estimated expenditure of \$1,990,000. The projects involved in the shortfall are shown in Table No. 28.

TABLE No. 28: DEPARTMENT OF WORKS, NORTHERN TERRITORY
DIVISION 760: SHORTFALL IN EXPENDITURE
(1966-67)

Location	Project	Amount
		\$'000
Darwin . .	Materials for works by R.A.A.F.	50
	Base operations buildings	80
Tindal . .	Materials for works by R.A.A.F.	65
	Supply of transportable houses	30
	Camp development	25
	Bare strip facilities	300
	Airfield lighting	40
	Total	590

Source: Department of Works.

Darwin—Materials for Works by R.A.A.F.

673. Materials are supplied by the Department of Works for projects being carried out by the R.A.A.F. Airfield Construction Squadron. The Darwin project was in its final stages in 1966-67, the major items to be supplied being lighting and starting outlets estimated to cost \$72,000. However, requirements were changed by the Department of Air and at the time of our Inquiry a new design was being prepared. It was said the cost estimates would need to be revised and the shortfall in expenditure for the project in 1966-67 was estimated at \$50,000. Exhibit 96/76

674. The witness for the Department of Air was unable to give approximate dates for the change in requirements. It was said that these had been the result of progressive thought over the past year or two. We were told that for the present generation of aircraft, the Department of Air has adopted a standard power outlet of 30 amps. As the various types of new aircraft for the R.A.A.F. progressively received approval, the matter was studied and the standard requirement for outlets was set at 40 amps. However, more recent information in respect of the aircraft has shown that 100 amps may be needed for standard usage on R.A.A.F. aircraft pavements. It was said that the change from 40 to 100 amps had been under discussion for some time. The Department of Works and the Department of Air were co-operating on the design of the project which includes water and flame proofing. The Department of Works was said to be concentrating on the electrical design for the installation of the higher rated outlets. This work was said to be proceeding, but it had taken far longer than had been expected. Q.'s 1910 to 1912

675. The witness for the Department of Air acknowledged that while this matter remained unsettled, it would have been reasonable to advise the Department of Works in order to place some restraint on its progress on the project. He also said that this was the only outstanding aspect of the Darwin pavement works that had been carried out some two years previously and it had been thought that the matter would be finalised in the next year or so but that the exact time could not be Q.'s 1913 and 1914

foreseen. It was said that the matter will affect R.A.A.F. installation of power outlets on hardstandings throughout Australia.

Darwin—Base Operations Buildings

Exhibit 96/76

676. A tender was accepted for this project in May 1966. In August 1966, however, the Department of Air advised the Department of Works that modifications would be necessary because a new type of electronic equipment was to be installed.

Exhibit 96/76
and Q. 1931

677. The witness for the Department of Air informed us that equipment had been ordered for this project, but that prior to any progress having been made, a suggestion was made by the contractor to the effect that automatic equipment rather than that specified, should be installed. The process involved in the equipment specified was referred to in evidence as the 'torn tape method'. The contractor's proposal was examined by the Department of Air and it was found that economies would be achieved in respect of manpower and more effective operation should the automatic equipment be installed. It was claimed that the change in equipment to be installed was approved on the understanding that there would not be any major alterations to the works proposals, but that the changes would be accompanied by some alterations in partitioning. In fact, however, more detailed changes were involved. A complete re-design of air-conditioning equipment was needed because of higher heat loadings and layout changes. In addition, work on the buildings was affected by a complete re-design of electrical services needed for the automatic equipment.

Exhibit 96/76
and Q. 1934

678. The witness for the Department of Works informed us that negotiations between his Department and the contractor were necessary in respect of amendments to the project, and the contract price should additional work be involved. The shortfalls in expenditure on this project in 1966-67 was estimated at \$80,000.

Tindal—Materials for Works by the R.A.A.F.

Exhibit 96/76
and Q's 1915
to 1920

679. At the time of our Inquiry, this work was in its final stages. While the final materials for the works were being supplied, it became apparent that all quantities estimated would not be required and some materials had been supplied at prices lower than those estimated. The resultant shortfall in expenditure was estimated at \$65,000.

680. The project involving these works was designed by the Department of Works, the construction was undertaken by the Airfield Construction Squadron, and expenditures were met from votes under the control of the Department of Air. The Department of Works was responsible for cost estimates and quantities of materials involved in the project. It was said that it would not be until the final stages of actual construction that quantities of materials used on the project could be assessed. It was found, however, that when accounts were being finalised quantities of material required were less than the estimate had provided for. It was also said by the witness for the Department of Works that the final

cost of works involving the Department's day labour force would not be known until the completion of the project. We were told that in this case, in which the physical work was being undertaken by the Airfield Construction Squadron, there would be no relationship between the quantity of materials used and the time involved in the construction work. It was said that prior to the commencement of construction, a timetable of likely dates of requirements of materials would have been determined in association with the Department of Air. However, in this instance, the materials would have been supplied to meet the construction requirements of the Department of Air.

Tindal—Supply of Transportable Houses

681. It was expected that some expenditure might be involved in modifications to houses in order to correct roof leakages which developed from a construction error. The cost of the remedial work was accepted by the contractors, however, and there was a resultant shortfall in expenditure of \$30,000. It was acknowledged by the witness for the Department of Works that provision should not have been made for this expenditure in the Original Appropriation. It was said that at the time the estimates were formulated, it would not have been possible to say that the contractor would have accepted this liability.

Exhibit 96/76
and Q.'s 1921
and 1928

Tindal—Camp Development

682. This project was carried out by the Airfield Construction Squadron and as in the case of other works being carried out by the R.A.A.F., it was found when the final material requirements were being supplied, that the quantity of materials required had been overestimated, and that there would be an estimated shortfall in expenditure of \$25,000. The Department of Works was responsible for the estimate made in respect of the quantity of materials required and costs involved in this project.

Exhibit 96/76
and Q. 1936

Tindal—Bare Strip Facilities

683. The total cost of this project was estimated at \$340,000 and it was proposed that tenders would be invited for its various components progressively from September 1966. It was decided by the Department of Air, however, in September 1966, that in order to provide continuity of work for the Airfield Construction Squadron, the concrete hardstandings at the strip would be constructed by the Squadron. Because of this, the Department of Works was required to provide materials only for the hardstandings and the cost of the work was reduced to \$301,000.

Exhibit 96/76

684. In addition to the construction of hardstandings to be used by R.A.A.F. mobile radio and other equipment, the proposal involved the provision of a navigational aid building and a transmitter station on two separate sites on the opposite side of the Stuart Highway from the Tindal Airfield; high voltage and low voltage switchboards; electrical substations; an electricity main; underground electric cables and power boxes; and rehabilitation of generating sets and the powerhouse.

Exhibit 96/76

Exhibit 96/76
and Q. 1937

685. Tenders were called in September for the supply of some electrical materials, but it was claimed that it had not been possible to accept a tender pending decisions by the Department of Air, particularly in respect of technical details of the power boxes. It was said by the witness for the Department of Works that information had been sought from the Department of Air in July 1966, on a number of technical problems related to the project such as the type of sub-station to be installed, details of proposed replacement generators, details of power houses, and questions related to the joint use of a separately metered Department of Civil Aviation lighting service.

Exhibit 96/76
and Q.'s 1938
to 1940

686. Difficulties also arose in the acquisition of two sites adjacent to the Stuart Highway. We were told that when information was sought from the Department of Air in respect of technical problems, it had been suggested that the Department also take early action towards the acquisition of these sites. The witness for the Department of Air was unable to elaborate on this aspect of the project. It was indicated, however, that the acquisition of the sites would have been arranged through the Department of the Interior.

687. Further difficulties were also said to have arisen in the actual location of the facilities because of the presence of large limestone outcroppings which could interfere with the operation of technical equipment. In a supplementary submission, tendered subsequent to our Inquiry, the Department of Works informed us that in November 1966, the Department of Air had requested the assistance of the Department of Works in determining access routes to the transmitter and receiver sites. Inspections made after this date by officers of the Department of Works showed that the site proposed for the transmitter had two very undesirable limestone outcrops which would prevent the installation of earth mats and restrict future aerial locations. The matter was discussed with representatives of the Department of Air who requested a re-survey of the area in an endeavour to locate an area of equal size and free of outcrops, to the east of the site proposed earlier. It was claimed by the Department of Works that the difficulties in respect of the limestone outcroppings had not been foreseen earlier as the Department had been unaware of the nature of the sites until the inspections were made at the request of the Department of Air.

Q. 1940 and
Committee
File 1967/5

688. The Department of Air, in a supplementary submission tendered subsequent to the Inquiry, informed us that the selection of several sites for operational and communication facilities was involved in the development of the bare strip project at Tindal, and in several cases the site for one facility was dependent upon the site for others. The two sites under discussion, each approximately half mile square, were intended to be the location for receiver and transmission communication facilities and were required to be a certain minimum distance from each other and from other facilities. It was said that for ease of operation and manning, it was desirable that sites for transmitters and receivers be as close together as possible, bearing in mind the need to minimise

mutual interference. It was also said that the presence of limestone outcrops on selected sites presented no serious problem for technical operation of either the transmitters or the receivers. It was claimed that it had not been realised that the sites selected presented construction problems until inspections had been made by the construction authority, the Department of Works.

689. Because of these delays and an additional delay in the determination of the location of the Department of Civil Aviation's Airfield Lighting Powerhouse, it had not been possible to call tenders for electrical and other work related to this project in 1966-67 or to finalise the design of the hardstandings. The shortfall in expenditure was estimated to be \$300,000.

Exhibit 96/76

Tindal—Airfield Lighting

690. Work on this project was programmed at a cost of \$80,000. It had been expected that an order for the execution of the work involved would be placed in November 1966 upon the Department of Civil Aviation, joint users of the facility and contributors towards its total cost. The basis for this understanding by the Department of Works was that the design and preparation of the estimate for this work which was being undertaken by the Department of Civil Aviation would have been completed in time for tenders to be called in November 1966.

Exhibit 96/76
and Q's 1943
to 1946

691. While Tindal is an R.A.A.F. aerodrome, the Department of Civil Aviation is a joint user of its facilities. For this reason the Department of Civil Aviation has to ensure that certain of its facilities meet the international civil aviation requirements. The type of lighting installed falls within these requirements and for this reason the matter was left to the Department of Civil Aviation for decision. The design and estimates prepared by the Department of Civil Aviation were not received by the Department of Works until May 1967. An order was placed with the Department of Civil Aviation for the execution of the work in June 1967, too late for any expenditure of funds in 1966-67.

Exhibit 96/76
and Q's 1944
to 1946

Conclusions

692. Your Committee finds that the delay associated with lighting and starting power outlets on the project relating to materials for work at R.A.A.F. Darwin was occasioned by a change made in its requirements by the Department of Air. The possible need for this change had been under consideration for some time prior to 1966-67 and we consider that the Department of Works should have been advised of the uncertainty that existed when the Original Estimates for 1966-67 were under consideration. In the case of the Base Operations Building at Darwin it appears that a change in requirements of the Department of Air was notified to the Department of Works after tenders had closed. On the basis of the evidence it also appears that the Department of Air did not examine adequately the implications in this change and as a result a

complete re-designing of air-conditioning equipment and electrical services was required, thus delaying the project and giving rise to a shortfall of \$80,000 in expenditure.

693. In regard to materials for works and camp development at Tindal it appears to Your Committee that the Department of Works had over-estimated the requirements of materials. Your Committee believes that if such estimates cannot be made realistically, the Department should recognise this fact and approach its request for funds cautiously.

694. In the cases of the supply of transportable houses and the provision of bare strip facilities at Tindal, the evidence shows that funds should not have been sought in the Original Estimates as it was not clear, at that time, as to what payments, if any, would be required in 1966-67. In regard to airfield lighting at Tindal, the evidence shows that the project was programmed on the basis that the Department of Civil Aviation would formulate the design and prepare the estimate in time for tenders to be invited in November 1966. In fact, however, the design and estimate were not submitted to the Department of Works until May 1967. In cases of this type Your Committee believes that the Department of Works should exercise considerable caution in seeking funds, particularly in the Original Estimates, but also in the Additional Estimates.

(v) DIVISION 967/1/18: CAPITAL WORKS AND SERVICES—BUILDINGS AND WORKS DEPARTMENT OF TERRITORIES

Appropriation Act (No. 2) \$20,000: Expenditure \$3,507

Exhibit 96/77
and Q's 1950
to 1964

695. This item provides for the capital works and services requirements for the Department of Territories in various States and the Australian Capital Territory. It does not include capital works and services in the Northern Territory which are covered by a separate vote.

696. The original appropriation of \$20,000 was based on works in progress totalling \$866 and new works aggregating \$19,134 for commencement in 1966-67. The shortfall in expenditure of \$16,484 was in respect of the items shown in Table No. 29.

TABLE No. 29: DEPARTMENT OF WORKS
DIVISION 967/1/18: SHORTFALL IN EXPENDITURE
(1966-67)

Location	Project	Amount
		\$
Sydney	School of Pacific Administration	12,000
New South Wales	Minor works	2,534
Melbourne	Aviation House	1,429
Australian Capital Territory	Partitioning in offices	521
	Total	16,484

Source: Department of Works.

Exhibit 96/77

Sydney—School of Pacific Administration

697. It was said that a shortfall in expenditure of \$12,000 was incurred because the erection of lecture rooms at the School of Pacific Administration, Sydney, was not proceeded with by the sponsor Department during 1966-67. The School of Pacific Administration occupies premises which belong to the Department of the Army. In June 1966, the School was asked to vacate the premises and the Department of the Interior was asked to find alternative accommodation for it. This accommodation for the school was not found and it was decided that work on the premises should not proceed. On 13 September 1966, the Department of the Treasury advised the Department of Territories and the Department of Works that the project should be deferred.

Exhibit 96/77
and Q.'s 1950
and 1951

Melbourne—Aviation House

698. Partitioning in Aviation House, Melbourne, estimated to cost \$4,400, was completed on 20 April 1967, some 2½ months later than the scheduled completion date of 2 February 1967, and too late, it was claimed, for the final payment of \$2,575 to be processed prior to the closing of accounts. This led to a shortfall in expenditure of \$1,429. It was said that the cost of this project was apportioned between the New Works and the Maintenance Votes of the Department of Works. The project was supervised by the building owners' consultant architect who also supervised the construction work on behalf of the Department of Works. We were told that it was the responsibility of the consultant architect to certify the amount due for payment before it was made by the Department of Works. A progress payment of \$2,278 was certified by the consultant on 22 May 1967 and processed by the Department of Works on 23 May. However, payment of this claim was withheld because of the need to query and finally agree on various additions to the project. Payment of an amended amount of \$2,575 was processed on 16 June 1967 but was not paid before the close of the financial year. It was said that the delay in making the final payment was occasioned by the need to provide for variations agreed to by the Department, subsequent to the receipt of the claim. The Department of Works claimed that as this project was scheduled for completion on 2 February 1967, it was reasonable to provide for its payment in the financial year 1966-67.

Exhibit 96/77
and Q.'s 1955
to 1957

Australian Capital Territory

699. We were told that the shortfall in expenditure of \$521 in the Australian Capital Territory was in respect of an Original Appropriation of \$33,334 for work on departmental offices commenced in a previous financial year. The unexpended balance for this project was \$830 which had been brought forward into the 1966-67 accounts as a liability. Actual spending against this balance was \$310 and it was claimed that there was a saving of \$520 on the estimated total cost of \$33,334.

Q. 1963

Conclusions

700. Your Committee accepts the Department's explanation.

CHAPTER 20—GENERAL

701. In recent years Your Committee has paid particular attention to the Estimates and related expenditure of the various departments. As a poor standard of estimating has wide ramifications, it has been not only excess spending which has attracted our criticism but also the over-provision of funds. Such over-provisions have been highlighted as undesirable, misleading and, perhaps, unfair to other Departments whose financial needs might not have been met fully.

FP. No. 43
of 1964

702. In its Sixty-fourth Report, Your Committee expressed the view that this type of investigation may, in future, produce even more positive results if a smaller representative sample of unsatisfactory estimating is selected for investigation purposes and that, perhaps a more concentrated inquiry would achieve the results which successive Committee's have sought—this establishing in fact remedial action over a much larger area of the total estimates than that subjected to oral examination. In respect of that year Your Committee selected twenty items for further examination compared with sixty-four items selected in respect of the previous financial year. In regard to the financial year 1966-67, however, Your Committee saw a need to widen the coverage of departments, some of which might otherwise not be examined orally for several years, and to ensure also that it examined a range of items and matters adequate to its purpose.

703. As this Report shows, there are explanations for expenditure variations from the estimates which, due to unforeseen circumstances or other factors, are acceptable. In this Report, however, we have found it necessary in many cases, to comment on examples of unsatisfactory estimating or unsatisfactory administrative performances by departments which have resulted in shortfalls in expenditure.

704. The evidence taken in this Inquiry shows cases where departments have sought funds prematurely in the Original Appropriations, either because they have disregarded their own experience in the areas of activity where expenditure is to occur or because they have applied for funds without a reasonably clear appreciation of the expenditure which might be involved. In other cases, departments have accepted at face value, estimates supplied to them by other departments and authorities. In regard to this category Your Committee would emphasise that only in the most exceptional circumstances would it be prepared to accept that a department seeking funds for a vote under its administrative control should be absolved of all responsibility in regard to the amount sought. The evidence also shows instances where funds have been requested as a provision to meet a possible eventuality which has not materialised. In these circumstances Your Committee would again set down for the guidance of departments the following principles relating

to estimating which have been formulated by the Department of the Treasury, and endorsed by Your Committee in its Reports:

- (a) Each individual estimate is to represent a realistic assessment of the sum that is expected to be spent, having regard to the information available to the Department at the time of preparation.
- (b) Estimates should not include amounts for proposals which are so far from firm that it is not possible to know what payments, if any, will be made.
- (c) Where an item is for a type of recurring expense (e.g. office services, travelling expenses) it is appropriate to budget on the basis of experience, wisely evaluated.
- (d) Estimates for supplies and services are to be based on current costs—in no circumstances is any provision or margin to be included for possible rises in costs; and
- (e) All continuing expenditure in particular shall be closely examined in order to eliminate items which are no longer required.

705. A further matter to which Your Committee would draw attention is the incidence of clerical errors revealed in evidence, and the fact that in many cases they have not been detected until after the close of the financial year. We would emphasise that while clerical errors can be made easily, their consequences can be serious. Accordingly, we believe that departments must ensure that clerical errors are kept to a minimum and that when they occur they are detected quickly and corrected.

706. As in the case of our Inquiry into the Consolidated Revenue Fund for the financial year 1965-66 we would again draw particular attention to the failure of some departments to pursue claims for settlement vigorously. We would reiterate that where departments find that accounts for payment are not being rendered promptly by their creditors, they have a direct responsibility to ensure that they take positive action in order that such accounts are obtained for settlement within the financial year concerned.

PP. No. 350
of 1964/65/66

707. Your Committee would also draw particular attention to the need for the Central Offices of departments to satisfy themselves completely in regard to estimates formulated by their regional offices and overseas posts and to obtain from those offices and posts, appropriate material in support of such estimates to enable the Central Offices to perform their review functions at a high standard.

708. Finally, Your Committee would refer to the matter of recoverable expenditure. By its nature expenditure of this type is cancelled out in the overall Budget to the extent that recoveries are made in the financial year in which expenditure occurs. Not all recoveries, however, can be achieved in the year of expenditure and therefore, in any given year, recoverable expenditure can affect the budget. Your Committee believes that departments have a responsibility to formulate estimates for such

items with the same degree of care and to pursue claims relative to such items with the same degree of force that they are required to apply to other items under their administrative control.

For and on behalf of the Committee.

RICHARD CLEAVER

Chairman

DAVID N. REID,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra, A.C.T.
4 April 1968