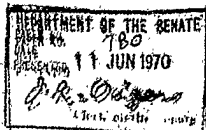


1970



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND EIGHTEENTH
REPORT

EXPENDITURE FROM THE
CONSOLIDATED REVENUE FUND
FOR THE YEAR 1968-69

(APPROPRIATION ACTS 1968-69)

JOINT COMMITTEE OF PUBLIC ACCOUNTSEIGHTH COMMITTEE

J.D.M. Dobie, Esquire, M.P. (Chairman)

C.J. Hurford, Esquire, M.P. (Vice-Chairman)

Senator J.F.Fitzgerald

Senator J.J.Webster

Senator Dame Ivy Wedgwood

F.W.Collard, Esquire, M.P.

J.F.Cope, Esquire, M.P.

B.W.Graham, Esquire, M.P.

A.W.Jarman, Esquire, M.P.

I.L.Robinson, Esquire, M.P.

The Senate and the House of Representatives appointed their
Members on 25 November, 1969.

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 connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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JOINT COMMITTEE OF PUBLIC ACCOUNTSONE HUNDRED AND EIGHTEENTH REPORTEXPENDITURE FROM THE CONSOLIDATED REVENUE FUND

(Appropriation Acts 1968-69)

Chapter 1Introduction

In recent years, a series of 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 procedure to be adopted in regard to these inquiries was examined in the Sixtieth and Seventy-fifth Reports. Since 1964-65 Your Committee has taken the view 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, 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.O. No.249 of
1964-65.

2 Your Committee's One Hundred and Fifteenth Report related to that aspect of the Inquiry in respect of expenditure from the Advance to the Treasurer in 1968-69. This One Hundred

and Eighteenth Report is based on the remainder of the evidence taken during that Inquiry and pertaining to expenditure from the Consolidated Revenue Fund.

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 examined by Your Committee and a large number of written explanations was received from departments. Your Seventh Committee selected Forty 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:-

| | |
|----------|-----------------|
| Thursday | 14 August, 1969 |
| Monday | 18 August, 1969 |
| Tuesday | 19 August, 1969 |
| Monday | 25 August, 1969 |
| Tuesday | 26 August, 1969 |

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

Department of Air

Mr. I. D. McLeod, - Director of Budgets (B).
 Mr. H. Pearlman, - Chief Executive Officer.
 (Budgets and Costing)
 Mr. F. C. Sutherland, O.B.E. - First Assistant Secretary
 (Finance and Logistics)

Department of the Army

Mr. H. F. Walker, - Assistant Secretary (Finance)

Department of Education and Science

Mr. C. J. Lenihan, - Director of Establishments and Finance Branch.

Department of External Affairs

Mr.K.G.Brennan - Senior Assistant Secretary
 Mr.J.P. Walsh - Senior Executive Officer.

Department of Housing

Mr.J.B.Elliott - Director, Finance.
 Mr.K.W.See - First Assistant Secretary, Operations Division.
 Mr.A.J.Selleck - Director, Insurance and Special Projects Branch.

Department of the Interior

Mr.A.J.Ayres - Director, Welfare
 Mr.G.A.Bennett - Executive Officer, A.C.T. Police.
 Mr.G.B.Davis - Administrative Officer, News and Information Bureau
 Mr.J.D.Gallacher - Assistant Director (Education) Welfare Branch,
 Northern Territory Administration.
 Mr.L.L. Gillespie - Assistant Secretary (Finance and Supply)
 Mr.T.F.Hopkinson - Director, Programming and Projects.
 Mr.D.M.Lalor - Director, Expenditure and Costing.
 Mr.J.J.Ravenscroft - Director, Finance Branch Northern Territory
 Administration.
 Mr.P.S. Smith - Officer-in-charge, Land and Property Section, Sydney.
 Mr.G.N.Steele - Executive Officer, Land Agriculture and Stock.

Department of Labour and National Service

Mr.M.Kangan - First Assistant Secretary, Employment and
 Industrial Services Division.

Department of the Navy

Mr.C.M.Colgan - Assistant Secretary (Finance)
 Mr.A.McC.Neeson - Director of Stores (Air)
 Mr.R.E.E.Todd - Director of Naval Works
 Mr.R.Wyber - Acting Director, Scientific Services.

Department of Immigration

Mr.S.J.Dempsey - First Assistant Secretary, Migrant Services Division.

Postmaster-General Department

- Mr.A.J. Fitzgerald, - Acting Deputy Assistant-Director-General
(Finance)Management Services Division.
- Mr.E.J.Wilkinson, - Assistant Director-General,(Radio)
Engineering Works Division.

Prime Minister's Department

- Mr.W.R.Cumming, - Assistant Secretary, Education and
Arts Branch.
- Mr.N.J.Flanagan, - Director,Establishments and Finance Branch

Department of Supply

- Mr.R.McKnown, - Assistant Secretary(Finance)
- Mr.K.L.Stuart, - Director,(Programmes,Estimates and Accounts)

Department of Works

- Mr.A.W.G.Miles, - Executive Officer,(Works),Head Office.
- Mr.F.W.Statham, - Director of Works, Western Australian Branch.
- Mr.G.J.Towers, - Assistant Director of Works,Construction,
Victoria and Tasmania Branch.

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.A.Finch)
- Mr.J.Hunter)
- Mr.E.K.Lynch)
- Mr.J.I.Maunder) - Department of the Treasury
- Mr.A.J.Pond)

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

Chapter 2Department of Air

- (i) Division 694/12. Administrative Expenses and General Services—Research and development.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 4,000 | 19,000 | 28,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 4,000 | 19,000 | 28,000 |
| Total Expenditure | <u>3,910</u> | <u>18,999</u> | <u>10,451</u> |
| Unexpended Funds Available | 90 | 1 | 17,549 |

- 8 This item provides for expenditure on minor defence research projects of particular interest to the RAAF.

Exhibit
118/10

- 9 The estimate of \$28,000 provided in Appropriation Act No.1 included funds amounting to \$23,000 for research projects connected with fatigue, corrosion studies and analysis of flight loads and tests for various aircraft types. An amount of \$5,000 was also included for payment to the University of Adelaide for research carried out on behalf of the RAAF School of Aviation Medicine.

- 10 The amount of \$23,000 referred to was provided for supplementary civilian contractor work if required. The estimate was provided by the Aeronautical Research Laboratories for the continuation of fatigue studies which could not be carried out within the Laboratories' own capacity. The studies were in respect of research undertaken within the Defence research organisations on behalf of the RAAF, and included expected expenditure on orders already placed, as well as provision against orders expected to be placed during 1968-69.

Exhibit
118/10 and
Q.416

- 11 However, none of the supplementary work expected to be undertaken by civilian contractors in 1968-69 was found to be necessary and no expenditure was incurred from the amount provided for it.

Exhibit
118/10 and
Q.417

The witness was unable to indicate the reasons for this but stated that they would be related to the studies undertaken by design engineers in the Aeronautical Research Laboratories and the requirement beyond the Laboratories' capacity for outside contract work.

12 In addition, expenditure on orders placed during 1967-68 fell short of the estimate as the volume of work proved to be less than had been expected. This estimate was also supplied by the Aeronautical Research Laboratories.

Exhibit
118/10 and
Q.418

Conclusions

13 Your Committee believes that the Department should have examined with greater care, the basis of the estimates prepared by the Aeronautical Research Laboratories for inclusion in the Appropriation. 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.

- (ii) Division 700/03. Equipment and Stores-Transport, firefighting, handling and construction equipment.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Appropriation Act No.1 | 5,846,000 | 3,278,000 | 7,215,000 |
| Appropriation Act No.3 | - | 1,622,000 | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>5,846,000</u> | <u>4,900,000</u> | <u>7,215,000</u> |
| Total Expenditure | <u>2,916,852</u> | <u>4,896,075</u> | <u>4,290,733</u> |
| Unexpended Funds Available | <u>2,929,148</u> | <u>3,925</u> | <u>2,924,267</u> |

14 This item provides for expenditure on vehicles, tractors, trailers, construction, fire-fighting and refuelling equipment and on spare parts to maintain these equipments in a serviceable condition. Exhibit 118/11

15 The Original Estimate of \$7,215,000 made for this Item in 1968-69 was arrived at after considering all of the large outstanding amounts from the previous year. An arbitrary assessment of expected requirements of small spares, was based on the needs of the previous five years, together with expected new requirements. Q.423

16 Expenditure on Capital items in 1968-69 was \$1,535,000 less than the estimate. The main items on which a shortfall occurred were fifteen ton dump trucks, air cargo and passenger handling aids, and general purpose fire trucks, Exhibit 118/11

. Dump Trucks

17 Authorisation for the purchase of seventeen trucks and eight trailers was given in 1965-66. There was a delay, however, in the acceptance of quotations following difficulties that arose in obtaining tenders to meet the specifications of the Department of Air. These difficulties were subsequently overcome and at the time of preparation of the 1968-69 Estimates it was confidently expected that all deliveries would be completed before 30 June, 1969. Exhibit 118/11

18 The tenders did not present any difficulties in the financial year 1968-69. Other problems arose, however, from the fact that a large proportion of the equipment is imported from the United States of America for assembly in Australia. A strike of longshoremen on the west coast of the United States, of some four months duration, resulted in delayed deliveries of equipment to Australia. While progress payments of \$126,000 were made in 1968-69 there were no deliveries and hence a shortfall of \$704,000 occurred on estimated expenditure.

Q.424 & 425

. Air Cargo and Passenger Handling Aids

19 The acquisition of this equipment was spread over three phases and involved authorisation in each of the financial years 1966-67 to 1968-69. The equipment comprised aircraft loading trucks, table lifts, transfer tables, conveyor rollers, fork lift trucks, passenger steps, mobile lights, scales, vacuum cleaners, pallets and cargo nets.

Exhibit 118/11

20 A shortfall in expenditure occurred in 1968-69 on each of the three phases. Provision was made in the 1968-69 estimates for the whole of the outstanding liability as at 30 June, 1968 to be expended in that year. The first and second stages of acquisition were completed in 1968-69 except for some aircraft loading and unloading trucks, the production of which had been deferred because of delays that occurred in the preparation of drawings by the contractor. These delays resulted in a shortfall in expenditure of \$102,000.

Exhibit 118/11
and Q.426 to
430

21 As no delays were anticipated in the ordering or delivery of equipment in the third phase, provision was made in the estimates to cover the items which were expected to be delivered, and which consisted of a large part of the order. However, delays occurred in the placement of orders as there was little point in placing them until matters such as drawings had been finalised. These delays in deliveries resulted in a shortfall in expenditure of \$314,000.

Exhibit 118/11
and Q.431

. Fire Trucks

22 Authorization for the acquisition of four trucks was made in 1966-67 and fifteen in 1967-68. When the 1968-69 Estimates were being prepared it was expected that some of the trucks would be delivered and paid for prior to 30 June, 1969. However, due to the longshoremen's strike that occurred in the United State of America and subsequent late arrival from overseas of some imported items needed in the manufacture of fire-fighting equipment, delivery did not commence until July 1969 and no expenditure was made in 1968-69.

Exhibit
118/11 and
Q.432

23. We were informed that the procedure involved in progress payments for an acquisition programme of this nature is written into the contract negotiated by the Department of Supply. In this regard the Audit Office Observer, Mr. Ragless, indicated that, providing this procedure was written into the contract, his office would have no objection to it. The principle underlying such an arrangement is that unless the Commonwealth makes progress payments, contractors would need to call upon overdraft facilities and as a consequence the tender prices would be higher.

Q.434 to 436

. Other variations

24 There were numerous other variations between actual and estimated expenditure in connection with capital equipment under this item, the net effect of which was a shortfall of \$265,000.

. Maintenance Items

25 Provision was also made in the Estimates for expenditure of \$4,320,000 on maintenance items. This provision covered a considerable volume of orders, mostly spare parts. The estimate was based on an assessment of the expected expenditure against both commitments outstanding at the beginning of the year and new orders to be placed during the year. However, expenditure of only \$2,931,000 was achieved. The resulting shortfall of \$1,389,000 was attributed to deliveries of stores being slower than had been expected and to the estimate having been set at too high a level.

Exhibit
118/11

Conclusions

26 It appears to Your Committee that shortfalls that occurred in expenditure on dump trucks and fire trucks arose primarily from an industrial dispute that occurred in the United States of America and were beyond the control of the Department. In the case of Air Corps and Passenger Handling Aids, however, it appears that some delays that occurred in production and in the placement of orders arose from the need to await the completion of drawings by the Contractor. Your Committee believes that in these cases, funds were sought prematurely in the Original Estimates. Regarding maintenance items Your Committee notes with concern the admission made by the Department that the Estimate was set at too high a level.

(iii) Division 700/04 Equipment Stores-Communications, electronic and general electrical equipment .

| <u>Available Funds</u> | <u>1966-67</u> <u>3</u> | <u>1967-68</u> <u>3</u> | <u>1968-69</u> <u>3</u> |
|----------------------------|----------------------------|----------------------------|----------------------------|
| Appropriation Act No.1 | 11,327,000 | 6,591,000 | 9,782,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>11,327,000</u> | <u>6,591,000</u> | <u>9,782,000</u> |
| Total Expenditure | <u>10,221,416</u> | <u>5,777,779</u> | <u>7,568,037</u> |
| Unexpended Funds Available | <u>1,105,584</u> | <u>813,221</u> | <u>2,213,963</u> |

27 This item provides for expenditure on many different classes of equipment which are of a communications, electronic or general electrical nature; e.g., generating sets, commercial electrical stores, cryptographic equipment, radio and radar equipments, both ground and airborne. The purchase of spares to maintain such equipments in a serviceable condition is also a charge to the Item.

Exhibit
118/12

28 Of the total shortfall in expenditure, \$1,262,000 related to control and reporting units; \$500,000 to automatic telegraphy equipment for the Darwin communications centre; \$197,000 to additional computer equipment; and \$284,000 to generating sets. In addition shortfall in expenditure occurred on a number of smaller projects. The total shortfall of \$2,243,000 was offset by increased expenditure amounting to about \$29,000 on some projects and on numerous orders for Maintenance spares.

Exhibit 118/12

. Control and Reporting Units

29 The contractual terms of payment for two systems being purchased provided for 2½ per cent of the total value of the firm price items in each system to be withheld until completion of the installation and final acceptance of the systems in Australia. A contract covering this project was raised in June 1965 and it was expected that installation and acceptance would be completed during 1968-69 with progressive and final payments being made accordingly. Details of the original and actual or anticipated delivery dates

Exhibit 118/12
Q.452 and
Committee
File 1969/4

of the equipment are given in Table No.1

Table No.1
Department of Air
Original and Actual or Anticipated Delivery Dates for
Control and Reporting Units contracted for in June, 1965

| Equipment | DELIVERY DATE | | | |
|--|--------------------------------|-------------------------|--|---|
| | Original | | Actual or Anticipated | |
| Radar Computers | (System 1) Nov. 1966 | (System 2) Feb. 1967 | (System 1) Progressive to April 1968 | (System 2) Progressive to August 1968 |
| Communication Equipment Power Supplies Ground Handling and Test Equipment | May, 1967 | | Nov. 1967 | |
| Spares | Progressive to end of contract | | | |
| Drawings Programming Handbooks | October, 1967 | | Anticipated October, 1969 | |

Committee
File
1969/4

Source: Department of Air

30 The contract for the supply of this equipment also provided for its satisfactory installation before final payment. It was originally estimated that the installation of the first system would be completed in October, 1967 and the second in April, 1968. At the time of our inquiry it was expected that installation of the first system would be completed in March 1970, and the second in May, 1970.

Committee
File
1969/4

31 With respect to the original estimated delivery dates it was said that the complexity and magnitude of the system, the first

Q.451

of its kind, had been underestimated. The great difficulty, and one of the most costly elements of the system, is in obtaining a computer programme that will show the fallibility of the system in respect of high speed aircraft.

.Automatic Telegraphy Equipment

32 The contract entered into with the supplier of the Automatic telegraphy equipment for the Darwin communications centre provided for payment of 90 per cent of verified cost, up to a limit of \$420,000, on installation at the contractor's premises for testing, and payment of 90 per cent of the contract price on installation at Darwin. At the time of preparation of the 1968-69 Estimates scheduled progress indicated that payment of approximately \$500,000 would be due in the final quarter of the financial year. However, because of unforeseen delays the project slipped some three months behind schedule and total expenditure on the equipment will be made in 1969-70.

Exhibit 118/12
and Qs. 453 to
462

.Generating Sets

33 Two separate provisions, each of \$180,000 were made in the 1968-69 Estimates for Generating sets. The first related to the purchases initiated prior to 1 July, 1968, and in respect of which deliveries and payments were expected to be made in 1968-69. Deliveries did not eventuate at the expected rate, however, because of the strike of longshoremen in the United States. Expenditure on this order prior to 30 June, 1969 amounted to only 76,310.

Exhibit
118/12
Q. 464

34 The second provision of \$180,000 was for generating sets intended to be ordered in 1968-69. These were to be mobile sets, specially made, the specification providing for the development of a proper prototype. As the prototype did not satisfactorily meet the specified requirements, delays occurred and the sets were not manufactured. The witness representing the Department indicated that financial provision for these sets should probably not have been made in the Original Estimates.

Exhibit
118/12
Qs. 464 and
465

. Additional Computer Equipment

35 Provision of \$197,000 was made in the Original Estimates to finance the requirements, mainly magnetic tape, for increased capacity and flexibility in the Department of Air EDP Centre. However, the need was satisfied by the purchase of a Honeywell 8200 computer for the Department of Defence installation. The requirement for the additional computer equipment lapsed when the decision to acquire the Defence computer was made on 1 August, 1968.

Exhibit
118/12 Qs.
471 and 479

Conclusions

36 It appears to Your Committee that the shortfalls that occurred in expenditure on control and supporting units, generating sets ordered prior to 1 July 1968, additional computer equipment and automatic telegraphy equipment were beyond the control of the Department.

37 In the case of generating sets to be ordered in 1968-69, however, it appears that the placing of the orders was dependent upon the development of a proper prototype. The prototype did not meet the specified requirements. In the circumstances Your Committee believes that funds were sought prematurely in the Original Estimates for this project.

- (iv) Division 700/05 *Equipment and Stores-Maintenance and servicing equipment and materials.*

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|------------------|
| Appropriation Act No.1 | 2,377,000 | 3,000,000 | 6,571,000 |
| Appropriation Act No.3 | 202,000 | 200,000 | - |
| Advance to the Treasurer | - | 52,000 | - |
| Total Funds Available | <u>2,579,000</u> | <u>3,298,000</u> | <u>6,571,000</u> |
| Total Expenditure | <u>2,421,758</u> | <u>3,296,024</u> | <u>3,630,287</u> |
| Unexpended Funds Available | <u>157,242</u> | <u>1,976</u> | <u>2,940,713</u> |

38 This item provides for expenditure on many different classes of equipment which are of a maintenance or servicing nature, e.g. tools, lathes, metal and wood-working machines, vehicles repair chop equipment; and for materials such as timber, steel, packaging, paints, etc., consumed in the use of this equipment. The item also provides for expenditure on aircraft spares which by their nature are classified with the equipment listed e.g., pipes and tubes. Exhibit 116/13

.Estimating Procedure

39 We were informed that Estimates of Expenditure in any particular field in the ordering of equipment are undertaken by Officers of the Air Force at Command level and above. Follow up procedure is undertaken by staff of the Department of Air. However, progress at this stage is dependent on the availability of manpower in a particular field of requirement. We were informed that as at May 1969 the Engineering Branch of the RAAF was short of eighty-four officers out of a total establishment of 726. Most of the staff deficiencies were said to be in the Headquarters Support Command where technical specifications are drawn.

Qs.541 to 548
and Committee
File 1969/4

Capital Equipment

. Airfield Matting.

40 Of the total shortfall of \$2,940,713 under this item, \$1,072,000 was in respect of capital equipment. The main component of the shortfall was in respect of airfield matting, an air-portable aluminium material which fits in slotted positions on the field. The matting is manufactured locally from Australian aluminium.

Exhibit 118/13
and Qs.502 to
504.

Although the purchase was to have been made on 1 July, 1968 and deliveries made and payment completed during the financial year, an evaluation was made of the matting in Vietnam and it was found to be unstable on the ground. A further evaluation was commenced with a view to introducing an improved slotting device to prevent sideslipping. This evaluation delayed the placement of the order until the specification had been corrected.

41. The witness indicated that assurances had been given by senior personnel of the Air Force that the Estimate for the matting had been soundly based. The problem first became known to the Department of Air, in about August, 1968 when investigations were being made as to why the order had not been placed. In fact the order was not placed until March, 1969 and the value of deliveries prior to 30 June, 1969 totalled \$377,000 resulting in a shortfall of \$834,000.

Exhibit
18/13
Qs. 511 to
514.

. Air Transportable Hangars and Aircraft Revetment Material

42. Provision was made in the Estimates for an amount of \$65,000 for the purchase of Air transportable hangars and \$72,000 for the purchase of aircraft revetment material. Subsequent to the finalisation of the Estimates it was discovered that no manufacturer could produce an air transportable hangar without the need for a significant number of aircraft for its transportation. This did not meet departmental requirements. The project was abandoned and no expenditure was incurred.

Exhibit
118/13 and Q.515

43. When the Estimates were being formulated it was known by the Department that these hangars were available in the United States of America. The witness conceded, however, that provision in the Original Estimates had been made for this item prior to a firm commitment being entered into for its supply by a manufacturer.

Qs. 516 to 518

. Other Items

44. Although orders were placed for other items of equipment in 1968-69, no deliveries of these occurred and no payments were made during the year. The shortfall in expenditure in respect of these items amounted to \$143,000 and comprised air transportable cabins; \$75,000; press swaging steel wire rope, \$20,000; camouflage netting \$25,000; driver operated sweepers, \$5,000; and equipment for transportable maintenance cabins \$18,000. Exhibit 118/13

45 The witness informed us that a departmental fault had been responsible for non-delivery of camouflage netting in that the issue of the procurement demand on the Department of Supply had been delayed. There was also some delay by the Support Command in evaluating four driver operated sweepers. It was found after purchase that the sweepers did not conform to the specifications. Qs. 533 to 538

46 The witness conceded that some delay occurred with the Department of Air in issuing technical specifications for air transportable cabins. Although provision for the cabins had been made in the Estimates prior to preparation of specifications or the calling of tenders, it had been expected that delivery would have been made and payment effected prior to the close of the financial year. Qs. 539 to 542

47 There were a number of other variations involving several smaller projects resulting in a net increase in expenditure of \$42,000. Exhibit 118/13

Maintenance

48 A shortfall of \$1,869,000 occurred in respect of maintenance equipment because deliveries against a considerable number of orders were less than expected when the estimates were formed. In addition, new authorisations placed during the year amounted to only \$3,373,000 compared with an estimated requirement of \$5,093,000. In this regard we were informed that in the past, estimating in this particular field

of shop equipment, spares, packages, paint and like items has been based on the experience of previous years. With the development of computer programmes, however, the Department is able to determine the usage of certain of these items. It is therefore able to obtain a more realistic assessment of its requirements for several major components and its requirements for related spares. Qs. 553 and 554

49 The witness also informed us that the new concept of the computer will vastly affect the whole of the Department's estimates during the next two or three years. Qs. 553 and 554

Conclusions

50 Your Committee accepts the Department's explanation in relation to airfield matting. Regarding the acquisition of air transportable hangars, however, it is clear that the Department should have entered into a firm commitment with a manufacturer for the supply of this equipment before seeking funds to cover the purchase.

51 In relation to other items of capital equipment Your Committee notes with concern that delays occurred in the Department of Air in issuing technical specifications for air transportable cabins and that the Department was also responsible for the non-delivery of camouflage netting. Moreover it is clear that the Support Command caused delays in evaluating four driver-operated sweepers.

52 So far as maintenance expenditure under this Item is concerned, Your Committee notes that with the recent development of computer programmes the Department is now able to determine the usage of these items and to make a more realistic assessment of its requirements.

(v) Division 702 - Aircraft and Associated Initial Equipment-Purchase and manufacture.

| Available Funds | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|-----------------------------------|-------------------|--------------------|--------------------|
| | \$ | \$ | \$ |
| Appropriation Act No. 1 | 76,472,000 | 103,310,000 | 122,658,000 |
| Appropriation Act No. 3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>76,472,000</u> | <u>103,310,000</u> | <u>122,658,000</u> |
| Total Expenditure | <u>59,637,490</u> | <u>102,580,000</u> | <u>96,064,428</u> |
| Unexpended Funds Available | <u>16,834,510</u> | <u>730,000</u> | <u>26,593,572</u> |

53 This Item provides for the cost of aircraft and associated initial equipment and for the cost of modifications to aircraft and airborne equipment. Expenditure brought to account under this Item includes expenditure by Australian contractors in assembly and production operations as well as payments made to overseas contractors in respect of imported equipment.

Exhibit
118/14

54 It was stated that with the exception of the modification element, the Original Estimate for this item for 1968-69 was prepared in May 1968 from the latest data available. It was based on firm letters of offer or firm estimates supplied to the Department by the agencies manufacturing the aircraft.

Qs. 560 to
562

Reduced Requirements

(i) F-111 Aircraft.

55 The main shortfall in expenditure under this Item related to the F-111 project for which cash expenditure of \$67,445,000 was provided. This estimate was based on advice received from the United States Air Force and departmental representatives in the United States of America in May 1968. At that time the advice appeared to be reliable in that delivery was to have commenced in July and to be completed by October, 1968. After delivery of the first aircraft, however, further deliveries were deferred. It was said that when the estimates were formulated no difficulties had been experienced with the aircraft required for Australia because at that time they were still under construction. Accidents had occurred while the aircraft

Exhibit
118/14, Qs. 563,
and 564 to 566.

required for Australia were under construction but it was said that normally, accidents of the kind that had occurred would have no bearing on the question of delivery. In fact, however, the accidents delayed deliveries. The estimates had provided for cash payments in the United States of America to the United States Treasury and cash payments to contractors in the United States and in Australia. Actual cash expenditure on the project amounted to 350,073,000 with a consequent shortfall of 317,372,000.

(ii) Modifications.

56 A provision for expenditure of \$4,369,000 was included in the Estimate for modifications to aircraft. Actual expenditure, however, amounted to \$1,050,000 leaving a shortfall of \$3,319,000. The largest provision was for expenditure of \$2,330,000 on an infra red tracking system for the mirage aircraft. We were informed that the proposed infra red tracking system which has been in use in the United States of America in various types of aircraft, has been on the defence programme for some years. On the first evaluation it appeared that the system would be suited to the mirage aircraft. Following this evaluation and the receipt of additional advice, the estimate was included in the 1968-69 programme. A subsequent evaluation, made during the first half of the financial year, however, indicated that modifications would need to be made to the Cyrano radar on the aircraft. On obtaining details of the cost for the modifications, which was in the vicinity of \$3,000,000 to \$4,000,000, it was decided, having regard to the expected life of the aircraft, not to install the system.

Exhibit
118/14
and Qs. 583 to
586

57 Provision was also made for expenditure of \$500,000 on post delivery modifications to the F-111 aircraft in the expectation that delivery would be effected in 1968-69. As the aircraft were not delivered, no expenditure was incurred.

Exhibit
118/14 and
587

58 Provision was also made for expenditure of \$1,539,000 on other modifications to aircraft. Total expenditure on these amounted

Exhibit
118/14

to \$1,050,000 leaving a shortfall of \$489,000.

(iii) Mirage Aircraft.

59 An amount of \$26,577,000 was provided in the estimates for expenditure on the mirage project. Actual expenditure amounted to \$24,403,000, leaving a shortfall of \$2,174,000. The financial year 1968-69 was the last year of major local production on this aircraft, the last aircraft being delivered in December, 1968. The Estimate for this project was related to estimated outstanding funds available for local production. In the event, however, production expenditure was reduced substantially as the project was completed considerably below the number of production hours that had been estimated.

Exhibit
118/14

60 In addition provision was made for the manufacture of fourteen spare wings for the project. This estimated requirement was based on the French evaluation of a possible fatigue problem. Investigation by the Aeronautical Research Laboratory, however, indicated that the problem was unlikely to be as severe as expected and that four spare wings would probably suffice to carry the aircraft through its life. The requirement for fourteen spare wings was accordingly reduced with a consequent shortfall in expenditure.

Exhibit
118/14
Q.588

(iv) Orion Aircraft

61 A provision of \$1,245,000 was made for cash expenditure on the replacement of an Orion aircraft which was lost in the United States of America. The original order had been for ten aircraft. Shortly after the acceptance trials one of the aircraft collapsed on landing at an airstrip at Moffet Field, caught fire, and burnt. Approval was sought and obtained from the Department of Defence for a replacement for the aircraft at an estimated cost of \$1,245,000 based on the manufacturer's cash purchase price and terms of payment. The purchase was not effected as it was decided late in the financial year to purchase the replacement aircraft from the United States Navy at a lower price. As the purchase was financed under the

Exhibit
118/14 and
Q.584

Australia/United States Logistic Arrangement the cash provision made in the Estimates was not required.

(v) Helicopters

62 An amount of \$1,239,000 was provided for the replacement of four helicopters, which were expected to be lost in Vietnam during the year. This expectation was based on a war loss rate formula. In this instance the loss rate was based on the loss of two helicopters in Vietnam in the previous year and a doubling of the number in use from eight to sixteen. In fact, however, only one helicopter was replaced at a cost of \$276,000, leaving a shortfall of \$963,000.

Exhibit
118/14 and
Q.590 and 591

Exhibit
118/14 and
Qs/590 and
591

(vi) Command Liason Aircraft

63 It had been proposed to purchase three aircraft early in the financial year for liason work in Vietnam. This did not eventuate and there was a shortfall in expenditure of \$900,000. Acquisition of the aircraft, used by the Army mainly for the transport of Commanders in the field had been approved by the Chiefs of Staff Committee but evidently had not been approved by the Department of Defence.

Exhibit
118/14
and Q.592

(vii) HS748 Navigation Trainer Aircraft

64 An amount of \$6,200,000 was included in the estimates for payments on the HS748 Navigation Trainer Aircraft. This estimate was based on a contractual arrangement which provided for delivery of all aircraft in the 1968-69 financial year. Because of industrial disputes in Britain one aircraft was not delivered until June 1969 and another had not been delivered at the close of the financial year. Anticipated payments following delivery were not made and there was a shortfall on the item of \$1,253,000.

Exhibit
118/14 and
Q.593

(viii) VIK Aircraft

65 An amount of \$1,869,000 was provided for expenditure on initial support equipment for VIP aircraft. Because deliveries were not as great as had been expected and the original estimates were too high, payments against the provision totalled only \$1,032,000 leaving a shortfall of \$837,000. The delay in deliveries was due to industrial disputes in Britain.

Exhibit
118/14 and
Q.598

(ix) Caribou Aircraft

66 An amount of \$760,000 provided for expenditure on a Caribou aircraft to replace a loss was based on full payment for an aircraft during the year. The aircraft was not delivered prior to 30 June, 1969 evidently due to a priority problem that occurred in Canada, the country of manufacture. Expenditure amounted to only \$402,000 with a shortfall of \$358,000.

Exhibit
118/14 and
Q.603

(x) Other Shortfalls

67 Other shortfalls amounting to \$346,000 occurred on the Item in respect of support equipment for the Orion project, the C130E project, and a combined purchase of equipment for a number of aircraft and helicopter projects. Deliveries of the equipment were not as great as had been anticipated and the original estimate proved to be too high. The shortfall on the Orion project, \$149,000 compared with a provision of \$400,000 was due to a purchase being made from the United States Navy instead of the originally planned Lockheed purchase. The shortfall on the C130E project amounted to \$124,000 from an original provision of \$200,000. Actual expenditure on the combined purchase of general purpose equipment for all aircraft amounted to \$169,000 from an original provision of \$200,000 leaving a shortfall of \$31,000. The shortfall on helicopters amounted to \$42,000 from an original provision of \$75,000.

Exhibit
118/14 and Qs.
605 to 612

Increased Requirements

68. The shortfalls in expenditure that occurred on this Item were offset to the extent of \$2,173,000 by increased requirements that occurred during the financial year. Exhibit 118/14

(i) Macchi Aircraft

69 We were informed that expenditure on this project in 1968-69 amounted to \$13,314,000 compared with an estimated \$11,179,000. The additional requirement of \$2,135,000 was said to have been due mainly to expenditure on local production of the aircraft being \$2,089,000 higher than had been expected. Exhibit 118/14

70 Allowance had been made in the estimate for Macchi Aircraft for wage increases. However, increases granted in the industry were far in excess of those anticipated at the beginning of the project. A significant structural modification to the engine increased the complexity of its manufacture in Australia. Changes in the original design, which was not suited to Australian conditions, were made between 1965 and 1968. These were mainly in the electrical and wiring systems which were consolidated into one easily accessible point to simplify servicing of the system. Qs. 616 and 617

(ii) Incorrect Charging.

71 Due partly to incorrect chargings at overseas offices in May and June, 1969 an amount of \$36,000 was wrongly charged to this appropriation instead of to Division 700 which provides for aircraft spares and equipment. The incorrect chargings were detected subsequent to 30 June, 1969. Exhibit 118/14 and Q.629

Conclusions

72 Your Committee accepts the Department's explanation with the exception of the following three matters. It appears that, due

to an oversight, the approval of the Department of Defence was not obtained to the purchase of three Command Liaison aircraft. Secondly we note that part of the cause of the shortfall in expenditure on VIP aircraft arose from the fact that the estimate had been set at too high a level. Finally, it appears that due partly to incorrect chargings at overseas offices in May and June 1969 an amount of \$36,000 was charged to Item 702 instead of to Item 700. The incorrect chargings were not detected until after 30 June, 1969. Your Committee regards each of these matters as unsatisfactory.

Chapter 3Department of Education and Science

- (1) Division 825,1.01: Capital Works and Services, Buildings and Works - The Australian National University.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|-----------------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 5,390,000 | 5,570,000 | 6,000,000 |
| Appropriation Act No.3 | 21,600 | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>5,411,600</u> | <u>5,570,000</u> | <u>6,000,000</u> |
| Total Expenditure | <u>5,315,546</u> | <u>5,570,000</u> | <u>5,500,000</u> |
| Unexpended Funds Available | <u>96,054</u> | <u>-</u> | <u>500,000</u> |

73 This item provides for the costs of permanent buildings, acquisition and erection of dwellings, equipment and works at the Australian National University. Exhibit 118/15

74 The estimate for this item was formulated having regard to the amount spent under the approved programmes for the 1967-69 triennium. At the commencement of the 1968-69 financial year, funds available for approved programmes amounted to about \$8,500,000. After consultation with the University it was agreed that \$6,000,000 should be provided in the Estimates for 1968-69. Q.647

75 A comparison of the amount included in the Appropriation with the actual funds provided to the University in 1968-69 is given in Table No. 2.

Table No. 2Department of Education & ScienceEstimated and Actual Funds Provided to the Australian National University

(1968-69)

| Item | Payment | |
|--|-----------|-----------|
| | Estimated | Actual |
| <u>Works in Progress</u> | \$ | \$ |
| Australian Universities Commission Programme | 2,591,749 | 2,377,832 |
| Direct Commonwealth Items | 820,271 | 640,271 |
| <u>New Works</u> | | |
| 1967-69 Australian Universities Commission Programme | 720,000 | 315,386 |
| Direct Commonwealth Items | 495,660 | 760,000 |
| Capital Research Equipment | 1,372,320 | 1,406,511 |
| TOTAL | 6,000,000 | 5,500,000 |

Exhibit
118/15

Source: Department of Education and Science.

Works in Progress

. Australian Universities Commission Programme

76 We were informed that works in progress were delayed because of unexpected difficulties encountered during construction; weather conditions; late receipt of approval of plans by the relevant authority; the requirement to review the mechanical design of a building at a late stage; a delay in the supply of bricks; difficulties related to the scarcity of bricklayers and other tradesmen, and to a certain extent, review of the site plan.

Exhibit
118/15
and Q.667

77 It was said to be normal practice for the University to make a critical appraisal of all designs coming before it in relation to the building programme. In the case of the psychology building the

Q.670 and
Committee
File 1969/4

design of ventilation duct work was considered to be unsatisfactory and the consulting engineers were advised of this. When the mechanical tender documents were delivered to Canberra, on the day prior to calling tenders, it was noted that design changes agreed to by the consulting engineers had not in fact been made. It was decided, however, to call tenders and make the changes after tendering. The design changes were duly made, but only after considerable delay on the part of the consulting engineers. The builder subsequently claimed that he had been delayed by the late installation of the duct work. The architect assessed, however, that the builder had been behind schedule and that the late installation of duct work did not, of itself, account for the delay. In fact a delay of some three months arose from these circumstances.

78 We were also informed that from its establishment the University has been concerned to develop in accordance with a flexible site plan, first with the advice of Professor Brian Lewis of Melbourne and then with that of Professor Denis Winston of Sydney. From 1960, site planning had to take account of the association of the old Canberra University College with the ANU and the consequent merging of the sites. In order to ensure that the site would be developed to its full potential, consistent with the needs both of the Institute of Advanced Studies and the rapidly growing student body, the University decided, in 1967, twenty years after the first plan was prepared, to review the site plan. As the estimated future total population of the campus was tentatively estimated at between 10,000 and 12,000 (7,000 to 8,000 students and some 4,000 staff), or higher, it was realised that unless the review of the site plan was undertaken immediately, the 1970-72 triennium have commenced, and it would then be too late to influence the future siting of buildings. Accordingly, a new site planner, R.M. Simpson, Dip. Arch.; F.R.A.I.A. was appointed to review the plan. The first intensive phase took place in the last three months in 1968 and the first three months of 1969, but at the time of our Inquiry many studies in depth, resulting from this intensive review were still being carried out. The University decided not to proceed with the siting of certain buildings under the previous plan when it was shown that the new concept would involve some

Q.672 and
Committee File
1969/4

major changes.

. Direct Commonwealth Items

79. The momentum of the main project in this programme, a University programme for the erection of some one hundred houses, could not be maintained because of the need to readvertise for revised tenders. The tenders were called in two parts, the second of which provided for the construction of fifty houses. Tenders were submitted subject to certain qualifications. After consulting various authorities regarding the qualifications that had been imposed by the tenderers, the University authorities decided that the tenders were not acceptable. The project was delayed by the subsequent need to readvertise and revise the tenders in such a way that would prohibit the imposition of any qualifications by the tenderers.

Exhibit 118/15
Q.675

New Works

. Appointment of Site Planner

80 It was said that the appointment of the new site planner, Mr. Simpson, in the latter half of 1968 was a main reason for the postponement of the date for letting new contracts. Mr. Simpson, an Architect located in Melbourne took up his appointment as a site planner in October, 1969, following a careful examination of the respondents to the University's advertisement placed in the press late in 1967.

Exhibit 118/15
Q.686 and
Committee File
1969/4

Review of Site Plan

81 We were informed that in view of some exciting and unexpected developments during the review of the site plan, the University deemed it prudent to pause to allow discussions regarding the location of some service reticulations and other works. The

Exhibit 118/15
Q.687 and
Committee File
1969/4

developments referred to included the abandonment of University Avenue as a main traffic artery and its conversion to a series of pedestrian landscaped courts; the creation of an entrance plaza with important buildings located there at the point where the University meets the City and establishes its main impact and identify. The developments also included the changed siting of the Union from a peripheral position to a more central position near the junction of University Avenue and Sullivans Creek; the siting of the Research School of Biological Sciences in the vicinity of the Departments of Botany, Zoology, Forestry and Biochemistry of the School of General Studies instead of adjacent to the John Curtin School of Medical Research as previously proposed. In addition the developments included the halting of the building spread and the maximising of parklands and sporting facilities on the campus; the proposal for a ring road together with peripheral parking; restricted service access and parking near buildings to free the site from the intrusion of traffic; the increased tempo of landscaping; and the possibility of placing a medical school in close proximity to the Canberra Hospital.

Conclusions

82 The evidence shows that the principle shortfalls in expenditure occurred in relation to works in progress and new works connected with the Australian Universities Commission Programme at the Australian National University. We note that in 1967 the University decided to review its site plan and advertised for a new site planner. The new appointee did not take up duty, however, until October, 1968. In these circumstances Your Committee believes that the Department of Education and Science should have approached with considerable caution the formulation of the Estimate for this Item for 1968-69.

83 Your Committee is also disturbed by the fact that the witness was unable to supply detailed evidence in relation to several matters referred to in the Department's written submission. In this regard we would again draw attention to memorandum 66/411 of 18 January 1966, circulated by the Secretary, Public Service Board to all Permanent

P.F. No. 352
of 1964-65-
66 and P.F.
No. 219 of
1968.

Heads. In that memorandum it was stated:

"The importance of thorough briefing of witnesses and the accuracy of departmental written submissions cannot be overestimated. It is in the interests of each Department and the Service generally, that the evidence tendered to the Public Accounts Committee is of the highest quality. It would, therefore, be appreciated if this circular could be brought to the attention of those officers in your Department who are likely to be concerned with the preparation of material for the Committee, or who may be required to appear in person at future public hearings of the Committee."

- (41) Division 825.1.02. Capital Works and Services—Buildings and Works—Contributions to Affiliated Residential Colleges at the Australian National University.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|-----------------------------------|----------------|------------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 100,000 | 1,589,000 | 700,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 100,000 | 1,589,000 | 700,000 |
| Total Expenditure | 79,686 | 1,474,852 | 428,324 |
| Unexpended Available Funds | 20,314 | 154,148 | 271,676 |

84 This Item provides for Commonwealth assistance towards the cost of approved capital projects at affiliated residential colleges at the Australian National University. Exhibit 118/16

85. The amount of \$700,000 provided in 1968-69 was for expenditure on the construction of three affiliated residential colleges at the Australian National University. Details of estimated and actual expenditure under the Item are given in Table No.

Table No. 3
Department of Education and Science
Division 825.1.02 - Estimated and Actual Expenditure
(1968-69)

Exhibit
118/16

| Project | Expenditure | |
|--------------------|----------------|----------------|
| | Estimated | Actual |
| Burgmann College | 320,000 | 24,512 |
| Ursula College | 80,000 | 108,712 |
| John XXIII College | 300,000 | 295,000 |
| Total | 700,000 | 428,324 |

Source: Department of Education and Science.

86 Construction of Burgmann College was expected to commence during 1968-69, for completion in time to accommodate students at the beginning of the 1970 academic year. The construction timetable was based on predictions of demand for student residential places at the University in 1970, that were provided by the University when the grant was recommended by the Australian Universities Commission in 1966. However, after planning had developed to an advanced stage, the University reviewed its earlier enrolment predictions and this review showed that the demand for residential accommodation was likely to be significantly lower in 1970 than had been anticipated earlier. The College Council considered that this reduction in demand did not warrant the completion of the College for occupation in 1970 and the Commission was therefore asked to withdraw the project from the 1967-69 triennium programme.

Exhibit
118/16
and Qs.700 &
702

87 The request for withdrawal of the Burgmann College project was made after the 1968-69 estimates had been prepared. Some expenditure on the project was undertaken as Ministerial approval had been given to a reduced Commonwealth grant of \$75,000 in the 1967-69 triennium to provide for planning and preliminary site works. At the same time the Minister approved a transfer of \$29,250 to Ursula College from the balance of the Burgmann College allocation.

Exhibit
118/16

Conclusions

88 On the basis of the evidence tendered in this case, Your Committee accepts the Department's explanation.

(111) Division 825.2.01 Capital Works and Services-Plant and Equipment-Australian Capital Territory education services.

| <u>Available Funds</u> | <u>1966-67</u> <u>\$</u> | <u>1967-68</u> <u>\$</u> | <u>1968-69</u> <u>\$</u> |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Appropriation Act No.1 | -* | 129,000 | 230,000 |
| Appropriation Act No.3 | -* | - | - |
| Advance to the Treasurer | <u>-*</u> | <u>-</u> | <u>-</u> |
| Total Funds Available | -* | 129,000 | 230,000 |
| Total Expenditure | <u>-*</u> | <u>119,013</u> | <u>185,925</u> |
| Unexpended Available Funds | <u>-</u> | <u>9,987</u> | <u>44,075</u> |

* Not available, included in another item.

89 This item provides for plant and equipment for government schools, pre-schools, the Canberra Technical College and the School of Music in the Australian Capital Territory. Exhibit 118/17

90 We were informed that, in general, the programme envisaged for 1968-69 was achieved except for the provision of a language laboratory. Although a specification for that project had been in mind when the relevant provision was made in the Estimates, negotiations with likely contractors and the schools authorities as to the special location for the laboratory caused changes to be made to the specification. As a result tenders for this work were not invited until early in 1969 and contracts were not let until June of that year. Exhibit 118/17 and 709 to 709

Conclusions

91 Your Committee believes that the Department sought funds for the language laboratory prematurely. When those funds were sought basic questions such as the location of the laboratory had not been settled and it was not until the final month of the financial year that contracts for this work were actually let.

(iv) Division 827.01: Other Services -Curriculum Development

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| Appropriation Act No.1 | - | - | 175,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | - | - | 175,000 |
| Total Expenditure | - | - | 7,000 |
| Unexpended Funds Available | - | - | 168,000 |

92 This item provides for a Commonwealth contribution to a major curriculum development project being undertaken in co-operation with three of the States. The Commonwealth contribution is \$150,000 per annum for five years. An amount of \$25,000 was also included in the item for 1968-69 to assist in the development of curriculum projects in other fields. Exhibit 118/18

93 The major curriculum development, known as the Junior Secondary Science Project, involved negotiations with State Governments on the nature and extent of their participation in the project. When the Commonwealth contribution of 3750,000 was agreed to, three States were actively involved in the project. Subsequent to announcement of the Commonwealth contribution, other States became interested and at the time of our inquiry it appeared that all States would participate in the project. Exhibit 118/18 and Q.713

94 Delays have occurred in determining the basis on which States will participate in the project. Initially it seemed that the exercise would be a fairly simple matter with the three States involved collectively providing \$450,000 towards its cost. When the remaining States became interested it was suggested that they might contribute expert advice and make available facilities rather than a financial contribution. In these circumstances it was not possible to proceed with the recruitment of staff and other activities although at the time of our inquiry it was expected that a project Exhibit 118/18 and Q.714

manager would be appointed in October, 1969. Work on the project was expected to be delayed by some eighteen months. Because of this the provision for 1968-69 was not required and the requirement for 1969-70 will be lower than had been originally anticipated.

95 A large part of the Appropriation of \$25,000 for the development of curriculum projects in other fields was intended to be spent on activities to be considered by and effected by the Department. Although a Branch of the Department was established for this purpose in June 1968 considerable delays occurred in obtaining staff. The estimate provided was therefore not required. The witness conceded that provision had been made for funds for the newly established Branch several months before its establishment.

Exhibit
118/18 and
Qs. 720 and 732

Conclusions

96 Your Committee accepts the Department's explanation concerning the shortfall in expenditure arising from the Junior Secondary Science Project. Your Committee is somewhat concerned, however, by the fact that funds were evidently sought under this Item for the development of curriculum projects in other fields, in anticipation of the creation of the branch required to carry out that work. We believe that funds for this purpose could well have been sought, if need be, later in the financial year.

Chapter 4Department of External Affairs

(1) Division 252/2/07 - Overseas Service-Administrative Expenses-Furniture and fittings.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | <u>8</u> | <u>8</u> | <u>8</u> |
| Appropriation Act No.1 | - | 771,800 | 574,200 |
| Appropriation Act No.3 | - | - | 951,700 |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | - | 771,800 | 1,525,900 |
| Total Expenditure | - | 711,303 | 1,375,910 |
| Unexpended Available Funds | - | 60,457 | 149,990 |

97 We were informed that the shortfall in expenditure on this item related almost entirely to the furnishing of the new chancery building at Washington. Exhibit 118/19

98 The original Cabinet proposal for the construction of the Washington chancery contained a total cost estimate including furniture, fittings and fine arts, for the new building. Funds for all aspects of the chancery project, were provided in Appropriation Act No.2 in a single Capital Works item under Division 830/1/06. When a revision of all project expenditure was being made by the Department of the Treasury and the Department of External Affairs to determine the level of extra funds needed in the Additional Estimates it was decided that expenditure on furniture, fittings and fine arts would more appropriately be shown in the Department's overall furniture and fittings item. Accordingly, additional requirement being sought under the Capital Works item for construction was reduced by an amount of \$828,300 which was then provided through the Additional Estimates under Division 252/2/07.

Exhibit
118/19
and Q.735

99 The Department of the Treasury Observer, Mr. Finch, informed us that the situation had not arisen previously where a construction project was treated in other than two parts, one relating to construction and the other relating to furnishings. The fact that the entire project, including furnishings was being undertaken

Q.736

by a single firm was not known to the Department of the Treasury until the request was made for funds from the Additional Estimates. Mr. Finch said that the decision to cost the furniture separately was based on principles recommended by the Committee appointed by Government Senators on the Appropriation Bills (1964), to the effect that furniture and fittings should be included in the Appropriation Bill No.1.

100 When construction of the project commenced, the Contractors set the completion date as mid-February, 1969. Until the end of August, 1968 the Contractor had been confident of meeting his target date. In September, 1968 he concluded that the target date might be exceeded by about six weeks and that staff could commence to move into the new building in April, 1969. In fact, the move was commenced in April and the building was occupied on 12 May, 1969.

Exhibit
118/19

101 As progress with the contract from its inception had conformed so closely to the architect's planning and estimating, the Department believed when it formulated the Additional Estimates that, even with the altered completion date, the full furnishings, fittings and fine arts programme would be completed and all moneys provided under Appropriation Act No.3 would be disbursed before the end of the financial year. Details of amounts outstanding at the end of the financial year, however, are given in Table No. 4.

Exhibit
118/19

Table No. 4
Department of External Affairs
Division 252.2.07, Shortfall in Expenditure
(1968-69)

Exhibit
118/19

| Reason for Shortfall | Amount |
|--------------------------------------|---------|
| | \$ |
| Furniture not delivered | 43,700 |
| Retention money | 33,000 |
| Items delivered but not invoiced | 3,600 |
| Crockery, cutlery & kitchen utensils | 6,000 |
| Fall out shelter equipment | 9,000 |
| Fine Arts | 28,500 |
| Consultants fees | 23,000 |
| Total | 146,800 |

Source: Department of External Affairs.

. Furniture not delivered

102 It was intended as part of the project, that while there would be areas throughout the building unoccupied for some time, the whole building should be furnished at the outset to take advantage of bulk contract rates. The contract for the supply of furniture was let in April, 1968. However, because of industrial problems that commenced in the United States of America during June, 1969, much of the furniture required in the expansion areas was not delivered on time and in addition the contractor was delayed in meeting specifications for specialised metal furniture.

Exhibit
118/19, and
Qs. 737 to 741,
748 and 781.

. Retention Money

103 The contract provided for the retention of \$33,000 pending completion of deliveries. However, because of the non-delivery of some furniture the amount retained was withheld.

Exhibit
118/19
Qs. 742 to
743

. Items delivered but not invoiced

104 From the beginning of June the Department endeavoured to have all accounts for materials delivered to the building brought to account and paid for. The contractor failed to submit accounts amounting to \$3,600 for a quantity of shelving and work benches delivered in May and June. Despite several requests made through the Embassy the accounts were not received in time to permit payment before June 30. Exhibit 118/19 and Qs. 753 and 754.

. Crockery, Cutlery and Kitchen Utensils

105 Quotations received for the supply of these items were not satisfactory and it was decided to explore other avenues of supply. Deliveries of alternative equipment could not be made in time to allow for payment before June 30. Exhibit 118/19 and Qs. 758 to 764

. Fall Out shelter Equipment

106 Funds had been provided for fall out shelter equipment on the understanding that it was the responsibility of the Commonwealth to provide equipment for the fall out shelter. However, the Architects deferred purchase while the extent of responsibility of the District of Columbia Civil Defence authorities was further examined. The equipment was subsequently provided free of charge by these authorities. Exhibit 118/19 and Qs. 768

. Fine Arts

107 Fine Arts selected by the Architects were submitted for endorsement by the Commonwealth Art Advisory Board. On 28 March it was decided not to proceed with purchases totalling \$28,500 but to wait for suitable future opportunities. Exhibit 118/19 and Qs. 769, 770 and 773.

. Consultants Fees

108 The shortfall of \$23,000 on fees due to the consulting Architects related to accounts which could not be rendered by the Architect for furniture delivered. The delays were related to documents reaching the consultant's Australian office from their Washington representative.

Exhibit 1.8/19
and Q.779

Conclusions

109 Your Committee accepts the Department's explanation in relation to the shortfall in expenditure.

110 Your Committee is disturbed, however, by the fact that provision for furnishings was included initially in the Capital Works Item 830/1/06 contrary to principles recommended by the Committee appointed by Government Senators on the Appropriation Bills (1964). In this regard Your Committee would observe that the substance of the recommendations embodied in that Report was accepted by the Government and made public in the Parliament in May, 1965 in the Second Reading Speech relating to the Supply Bill (No. 1) for 1965-66. The Report itself was tabled in the Parliament in 1967. In these circumstances Your Committee believes that the principles involved should have been known to the Department of External Affairs when it formulated its estimates for 1968-69.

P.P. No. 55
of 1967

(11) 830/1/01:Capital Works and Services- Buildings,Works,Plant and Equipment-Germany.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | - | - | 47,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | - | - | 47,000 |
| Total Expenditure | - | - | 11,833 |
| Unexpended Available Funds | - | - | 35,167 |

111 The Appropriation for 1968-69, comprised \$5,000 for the purchase of two motor vehicles; \$35,000 for site investigations in connection with the possible construction of a new chancery, building, and \$7,000 for alterations to the official residence.

Exhibit 118/20
and Qs.803 to
808

. Purchase of Motor Vehicles

112 An amount of \$2,500 was obtained for the replacement of a Mercedes Benz 190 Sedan by a Mercedes Benz 200 Sedan. Subsequent examination of the transport requirements of the chancery however, indicated that a station wagon would be more suitable. Four models were considered. A Peugeot was selected because it represented the best value, and suited the requirements of the chancery. The delivery cost of the Peugeot, fitted with seat belts and mats was \$1,800, resulting in a shortfall of \$700 against the Original Appropriation of \$2,500.

Exhibit 118/20
Q.808 and
Committee File
1969/4

. Site Investigations and Residence Alterations.

113 The Mission at Bonn is accommodated on the second floor of a two storey building owned by the Deutscher Beamtenschaft, a German Civil Servants organisation. The current lease expires in 1970. Until some seven days prior to our Inquiry it was understood that the lease would not be renewed after 1970 and that, even if

Exhibit
118/20
Q.791

renewal were possible, additional space likely to be needed for the Embassy could not be provided.

114. The official residence, located at 30 Luisenstrasse is owned by the Commonwealth. It was said that although it is a most attractive property, the house lacks representational and living accommodation. The main reception areas and dining room are too small. The residential facilities provided for the Ambassador, his family and guests are regarded by the Department as being inadequate. These shortcomings and the eventual need for extensions were recognised by Ministers when the decision to purchase the building, which had been under lease to the Commonwealth for some years, was made. When the Luisenstrasse purchase was made in 1965 the Minister decided that future use of the land was to be examined to determine whether or not an additional building could be erected on the site. The Department hoped that a chancery could have been erected on the site.

Exhibit
118/20 and
Qs. 787, 792 and
802.

115. Since its purchase of the property the Department had been examining proposals for its development, both from the aspect of improving the residence and, having regard to the temporary nature of its chancery lease, the possibility of constructing a Commonwealth owned chancery in the grounds of the residence. Preliminary planning at the end of the financial year 1967-68 had indicated that subject to an investigation by a Commonwealth Architect, in consultation with a local Architect engaged by the Embassy, both of these projects would be feasible and would become urgent. The Department was confident that following a visit by an Architect, work could commence on the construction of a chancery during 1968-69 and that the amount of \$35,000 provided in the Appropriation for that year would be spent.

Exhibit
118/20

116. A Department of Works Architect, Mr. C. Wade, visited Bonn

Exhibit
118/20

from 30 September to 10 October, 1968 where he consulted such authorities as the Architect for the Canadian Embassy, the German Housing Ministry, the owners of the building in which the chancery is situated and the Embassy's local Architect. Mr. Wade also inspected several other Embassies. He reported that there had been significant changes in the situation as it had been understood earlier, when the question of possible utilisation of the property at 30 Luisenstrasse had been considered.

117 The principal change was that the owners of the building in which the chancery was located, the Deutscher Beamtenbund, had acquired an additional site at the rear, and contiguous with the present site of the building in which the chancery was located. They proposed to construct a building on this property for rental and indicated to Mr. Wade that they would be prepared to either construct space in such a building to the Commonwealth's own requirements, or perhaps construct a separate building for leasing to the Commonwealth. In view of these developments the Deutscher Beamtenbund agreed, in early October, 1968, to the renewal of the lease when it expired in 1970.

Exhibit
118/20 and Qs.
788 to 791

118 Mr. Wade also determined that difficulty would arise in constructing a chancery of the dimensions which were likely to be needed, together with space required for associated outbuildings, car parks and internal roads within the area which would be available at Luisenstrasse after the building was extended to meet the requirements of an official diplomatic residence. Such a building would in any case overlook the residence garden and front doors and invade the privacy of the Ambassador, his family and guests. It would also destroy the setting of the residence within its attractive park-like grounds overlooking the Rhine and seriously impair its value, both from the Real Estate and representational aspects.

Exhibit
118/20 and
Qs. 788 to 791

119 Mr. Wade also reported that a recent decision to amalgamate the cities of Bonn, Bad Godesburg and Beuel into a Greater Bonn and the acquisition by the Government of land in the northern part of Bad Godesburg, close to the present Chancery, for the construction of an administrative centre would render the Luisenstrasse location less ideal for a Chancery than had hitherto been expected.

Exhibit
118/20 and
Qs. 788 to
791

120 Mr. Wade concluded that the residence site was inadequate and inappropriate for a chancery and recommended that the Department should explore alternative methods, including the offer made by the Deutscher Beamtenbund. Mr. Wade's opinion that it would not be possible to erect a chancery on the residence site was conveyed to the Minister for External Affairs who consulted the Treasurer. It was agreed that a chancery would not be built on the site.

Exhibit 118/20
and Q. 792

121 We were informed that in view of Mr. Wade's report, which was endorsed by the Ambassador at Bonn, the need to construct a chancery at Luisenstrasse has lost its urgency and the proposal had been deferred. It was stated that about one week prior to our inquiry, the Deutscher Beamtenbund had advised the Department that the lease on its building could not be renewed.

Exhibit 118/20
and Qs. 790 to
791.

122 So far as the residence is concerned, Mr. Wade recommended that minor alterations to meet more pressing needs should be proceeded with and that more extensive additions should be made as soon as this could conveniently take place. Since those additions would create some inconvenience for the Ambassador and his family, the timing would need careful consideration to avoid the need for alternative temporary accommodation. The minor alterations which will be complementary to the more extensive additions involve the provision of an adequate fire escape, the enclosure of a terrace adjacent to the reception area and addition of a porch or hood at the front door to protect guests when entering or leaving their cars.

Exhibit
118/20

Conclusions

123 It appears to Your Committee that funds should not have been provided for the development of the site at 30 Luisenstrasse until the Department had received a report from a Department of Works Architect. Had that report been favourable, the amount required could have been provided from the Advance to the Treasurer, pending Additional Estimates.

124 It also appears in relation to the purchase of motor vehicles, that an amount of \$2,500 was obtained for the replacement of a vehicle before a thorough examination had been made of the transport requirements of the chancery.

(411) Division 830/1/05: Capital Works and Services -Buildings, Works, Plant and Equipment-Pakistan.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|-----------------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | - | 25,600 | 75,700 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | - | 25,600 | 75,700 |
| Total Expenditure | - | 24,875 | 15,581 |
| Unexpended Available Funds | - | 725 | 60,119 |

125 The appropriation of \$75,700 for capital works in Islamabad in 1968-69 comprised \$5,700 for the purchase of motor vehicles and \$70,000 for documentation fees in connection with the proposed construction of an official residence and office. The expenditure of \$15,581 included an amount of \$6,200 subsequently authorised for the purchase of motor vehicles for the Australian Deputy High Commission at Dacca.

Exhibit
118/21

126 In 1965 the Commonwealth entered into a reciprocal leasing arrangement with the Pakistan Government covering the acquisition of an area of approximately three acres on which to construct an official residence and a chancery building. The site was inspected in 1966 by a senior officer of the Department of Works following which preliminary investigation and design studies were commenced. The inspection indicated that the block was excellent and well located, but that acquisition of a small part of an adjacent block would be necessary in order to improve drainage facilities and to aid construction. A lease of the additional section was taken.

Exhibit
118/21 and
Q.809

127 Following extensive negotiations with the Pakistan authorities regarding the leasing document a small sum was spent in 1966-67 on site filling and the marking of boundaries. During 1967-68 an amount of \$22,000 was spent on site development, soil testing, a contour survey and part payment for an architectural investigation.

Q.810

128 In February and March, 1968 an architectural team comprising a representative of the Department of Works and representatives of consulting Architects and designers who were to be commissioned to prepare contract documentation, visited Pakistan to conduct an investigation into all matters relating to the project. Preliminary reports received from the team after its return in September 1968, were encouraging to the extent that it was confidently anticipated that documentation would take place during the financial year 1968-69 and that an amount of \$70,000 would be expended.

Exhibit 118/21
and Q.811 and
812.

129 A comprehensive formal report on the investigation was received from the architectural team in September, 1968. It indicated that the completed project would cost in the vicinity of \$2 million and would take about three years to complete from the commencement of documentation. The report was subsequently discussed by the departments concerned and the views of the High Commissioner in Pakistan were sought.

Exhibit
118/21

130 The cost estimate provided in the Report was higher than had been expected originally. When Cabinet approval was given to the acquisition of land in Islamabad, the cost estimate for building an office and residence was \$1,200,000. The September 1968 estimate was said to be more comprehensive as it is based on costing data obtained in the architectural survey. Additional features covered by that estimate include an adjustment to the size of the office, furnishing for the residence and the Chancery, construction and furnishing of two staff flats in the same block as the office building and development and landscaping of the site.

Exhibit 118/21
and Q.813

131 On 17 April, 1969 the High Commissioner reported that he could not overlook the possibility of recurrence of political unrest and riots which had occurred in Pakistan in October, 1968.

Exhibit
118/21

Such a recurrence would give rise to uncertainty about the availability of facilities and price levels, labour support, transport facilities and material supplies. It was considered that it would be unwise to make firm decisions about construction at that time. The project was therefore deferred resulting in a shortfall of \$58,297 in expenditure.

Conclusions

132

Your Committee accepts the Department's explanation.

54
Chapter 5

Department of Housing

- (1) Division 310/2/07: ~~Administrative-Administrative Expenses-Migrant~~
Transitory Accommodation-Furniture and fittings.

| <u>Funds Available</u> | <u>1966-67</u> \$ | <u>1967-68</u> \$ | <u>1968-69</u> \$ |
|----------------------------|----------------------|----------------------|----------------------|
| Appropriation Act No.1 | - | - | 280,000 |
| Appropriation Act No.3 | - | 16,700 | - |
| Appropriation Act No.4 | - | - | - |
| Total Funds Available | - | 16,700 | 280,000 |
| Total Expenditure | - | 16,699 | 179,627 |
| Unexpended Available Funds | - | 1 | 100,373 |

133 This item provides for the complete furnishing and equipping with utensils, of self-contained flats supplied by the Commonwealth as transitory accommodation for newly-arrived migrant families. A summary of the Transitory Flats for Migrants Scheme is given in the Explanatory Statement on Item 845/2/01-Construction of Flats.

Exhibit
118/22

134 The estimate for this item was based on the construction and acquisition programs planned when the estimates were formulated and on advice received from Commonwealth Hostels Limited, agents of the Department of Housing in the purchase of furniture and fittings required for flats under this item. The estimate for the financial year 1968-69 was based on experience obtained previously in the furnishing of the Eastlakes, Sydney project which had been purchased in April 1968.

Qs.949 and
951 to 953

135 Details of the shortfall in expenditure under this item related to delayed or deferred flat projects referred to in Item No.845/2/01, are given in Table No. 5.

Table No. 5
Division 310/2/07: Department of Housing
Shortfall on Estimated Expenditure on Selected Projects
 (1968-69)

| Project | Amount |
|-------------------|----------------|
| Victoria | \$ |
| Preston | 19,980 |
| Heidelberg | 19,260 |
| Maribyrnong* | 13,800 |
| Western Australia | |
| Beaconsfield | 17,940 |
| Inglewood | 17,940 |
| Medina | 12,360 |
| Tasmania | |
| Hobart | 22,440 |
| Launceston | 11,040 |
| Rounding | 80 |
| Total: | 134,840 |

Exhibit
118/22

* The Maribyrnong project will comprise twenty-four flats, but only twelve flats were expected to be completed and to require furnishing by 30 June, 1969.

Source: Department of Housing.

136 When the estimates were formulated it was expected that all or some of the flats in these projects would require furnishing before, or shortly after 30 June, 1969. The actual expenditure of \$179,627 that occurred, included \$85,000 on projects in New South Wales, \$45,000 in Victoria, \$38,000 in Western Australia and \$11,000 in Tasmania.

Exhibit
118/22 Qs.
949 and 951

137 An amount of \$34,467 was spent on items unforeseen

when the estimates were prepared. This amount consisted of \$11,506 on the Mascot, New South Wales project; \$10,121 on the East Burwood, Victoria project; and \$8,066 on the Oakleigh, Victoria project. The total cost of furnishing the East Burwood project of twenty-four flats was \$23,921, of which \$13,800 was met from funds provided for furnishing twelve flats in the Watsonia project which was cancelled during the year. Exhibit
118/22

138 Unforeseen expenditure of \$4,774 also occurred on other projects. The most significant elements of this amount were \$3,523 in respect of the North Ryde, New South Wales project; \$2,448 in respect of reserve stocks for flats in all States; and a shortfall in expenditure of \$978 in relation to the Eastlakes No.2 project in New South Wales. Exhibit
118/22

Conclusions

139 The circumstances relating to the shortfall that occurred under this Item are related closely to those that occurred under Item 845/2/01 which follows.

140 Your Committee notes that 1968-69 was the first full year of operation of the scheme to provide transitory flats for migrants. In these circumstances we believe that the Department would have been well advised to formulate its Original Estimate with greater caution and to have obtained further funds, if required, from the Additional Estimates.

- (11) 845/2/01: Capital Works and Services, Buildings and Works
Migrant Transitory Accommodation - Construction
of Flats.

| <u>Funds Available</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| Appropriation Act No.2 | \$ - | \$ - | 2,490,000 |
| Appropriation Act No.4 | - | 382,000 | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | - | 382,000 | 2,490,000 |
| Total Expenditure | - | 267,366 | 718,543 |
| Unexpended Funds Available | - | 114,634 | 1,771,457 |

141 This item provides for the construction of self -
contained flats for occupation, on a transitory basis, by newly
arrived migrant families.

Exhibit
116/23

142 We were informed that the Government's decision to
introduce a scheme to provide transitory flats for migrants was
announced in April, 1967. It was explained that from the inception
of Australia's post-war immigration programme, the Commonwealth
had provided short-term accommodation in hostels for those
Commonwealth-nominated assisted migrants who required it. As
part of the wide-ranging plans to improve these arrangements the
Government had decided to attempt an entirely different approach
through the provision of furnished, self-contained flats. Occupancy
of the flats would be limited strictly to not more than six months
and those migrants who had not found their own housing at the end
of that period would be permitted to move into hostels. It was
intended that the flats would be comparable in standard and rental
with the flats being provided to the community at large by the
State Housing authorities. The scheme was to operate initially
on an experimental basis in New South Wales, Victoria, Western
Australia and Tasmania.

Exhibit
118/23

143 In May 1967 the Department of the Interior conducted a survey of flats and building sites available for purchase. The information provided by the Chief Property Officers in Sydney and Melbourne at that time appeared to indicate that buildings were not available where the migrant population was likely to require them.

Qs. 826, 849,
865 and 867

144 In June 1967 the then Prime Minister sought and subsequently obtained the agreement of the Premiers of the four States concerned for their Housing authorities to undertake detailed design and arrange the construction of flats on behalf of the Commonwealth.

Exhibit
118/23

145 In July, 1967 the Prime Minister decided that the Department of Housing should be responsible for the provision, management and maintenance of the flats. The Department of Immigration and the Department of Labour and National Service are jointly responsible for choosing the location of the flats.

Exhibit
118/23

146 We were informed that the experimental project commenced in January-February 1968 with the letting of contracts by the State Housing Commission of Western Australia for the construction of thirty-six flats in Perth over a period of six months.

147 It was stated that in formulating the estimate for 1968-69 the State Housing authorities concerned were consulted in mid 1968 for their assessment of the progress that could be achieved with the provision of flats in 1968-69. The Department's construction programme for that year was based on these judgments and on the advice of its Chief Property Officers on the prospects of obtaining building sites over and above those being made available by the State Housing authorities. The programme was also constructed in the belief that an adequate number of suitable flats would not be available for purchase on the open market at prices that compared favourably with the cost of having equivalent flats built

under State Housing authority contracts.

148 Details of estimated and actual expenditure on the item in 1968-69, by State are given in Table No. 6.

Table No. 6
Department of Housing
Item 845.2.01: Estimated and Actual Expenditure
(1968-69)

| State | Total Funds Available | Total Expenditure | Shortfall in Expenditure |
|-----------------------|-----------------------|-------------------|--------------------------|
| New South Wales | \$ 400,036 | \$ 211,203 | \$ 188,833 |
| Victoria | 906,000 | 246,658 | 659,342 |
| Western Australia | 773,351 | 182,808 | 590,543 |
| Tasmania | 411,319 | 77,874 | 333,445 |
| Rounding of Estimates | 706 | - | 706 |
| Total | 2,490,000 | 718,543 | 1,771,457 |

Exhibit
118/23

Source: Department of Housing.

149 Regarding the actual expenditure achieved in 1968-69 we were informed that arising from the market survey conducted in May 1967 and subsequent surveys made by the Department of the Interior a newly-constructed block of twelve, two-bedroomed flats, approximately of Housing Commission standard located at Eastlakes, Sydney was purchased in April 1968 from a private developer. Following this acquisition the Department of the Interior initiated a further survey in all States with a view to obtaining the best value for the Commonwealth's money and to meeting Ministers wishes to implement the scheme as quickly as possible. It was found that, in Sydney particularly, and to a lesser extent in Melbourne, reasonably suitable flats were available for purchase at prices that compared favourably with the cost of flats designed and erected under contract by the Housing Commission. However, virtually no suitable

Exhibit
118/23, Qs. 838
and 839.

flats were available at reasonable prices in Perth or in Tasmania.

150 The details of the reasons underlying the shortfalls that occurred in expenditure in each of the States concerned are set out below.

. New South Wales.

The shortfall of \$188,833 in expenditure arose from:

| | |
|---|---|
| (a) Available funds not expended on the Bankstown and Granville projects | \$ 200,000 |
| (b) <u>less</u> - funds used for expenditure not foreseen at the commencement of the financial year | <u>11,167</u> <u>188,833</u> |

151 Arising from the acquisition of the block of flats at Eastlakes in April, 1968 and the purchase of a further block at Auburn in August, 1968 a decision was taken not to proceed with the construction of flats at Bankstown and Granville.

Exhibit 118/23
Qs. 853 and
854.

152 Because of the ready availability of newly-constructed private flats for purchase at attractive prices in Sydney, and the considerable difficulty experienced in locating and purchasing suitable building sites, the construction of flats in that city was restricted during 1968-69 to the completion of a Housing Commission contract of twenty-four flats at North Ryde on land that had been purchased by the Commonwealth Government some years previously as a site for a migrant hostel.

Exhibit
118/23

153 On the other hand forty-two flats were purchased in Sydney during 1968-69 compared with an estimated eight included in the original Acquisition Programme. Expressed in financial terms, \$412,400 was spent on acquisitions of flats during 1968-69

Exhibit
118/23

in Sydney compared with \$67,000 provided for in the initial Appropriation under Item 855.1.12.

154 The unforeseen expenditure of \$11,167 comprised \$3,113 for the supply and installation of fly-screens in fifty-four flats purchased from private developers at Auburn, Eastlakes and Mascot. An additional amount of \$8,054 was required for increased payments to the Housing Commission in respect of the North Ryde Project resulting from variations to the contract and increases in commission fees.

Exhibit
118/23

. Victoria

155 Details of funds available and expenditure incurred in respect of individual projects which were expected to be constructed under State Housing Commission contracts during 1968-69 are shown in Table No. 7.

Exhibit
118/23

Table No. 7
Department of Housing
Item 845.2.01: Estimated and Actual Expenditure:Victoria
(1968-69)

| Project | Funds Available | Expenditure | Shortfall in Expenditure |
|-------------|-----------------|-------------|--------------------------|
| | \$ | \$ | \$ |
| Braybrook | 126,000 | 118,873 | 7,127 |
| Preston | 200,000 | 127,035 | 72,965 |
| Heidelberg | 200,000 | 750 | 199,250 |
| Maribyrnong | 200,000 | - | 200,000 |
| Watsonia | 180,000 | - | 180,000 |
| Total | 906,000 | 246,658 | 659,342 |

Exhibit
118/23

Source: Department of Housing.

(a) Braybrook

156 The shortfall of £7,127 in expenditure on this project was due to its reaching completion later than had been expected and to a carry-over of the final contract payments into 1969-70. Tenders for the contract closed with the Housing Commission on 28 May, 1968. When formulating the estimates for this item the Department of Housing expected on the information supplied to it by the Housing Commission, that a contract could and would be let during June. The Housing Commission's recommendation for the acceptance of the lowest tender was received on 19 June, and the Department authorised the letting of the contract on 5 July, 1968. The contract was not let, however, until 5 August, 1968. Although the project was completed on 8 May, 1969, payments were carried over into 1969-70. The delay was said to have occurred in the Victorian Housing Commission.

Exhibit
118/23 and
Qs. 887 to 889

(b) Preston

157 The shortfall of £72,965 in expenditure on the Preston project was attributed to a delay of nearly six months that occurred in the commencement of construction. The delay was caused by a decision to write new tenders after the Housing Commission had declined to recommend acceptance of the lowest tender received. The Commission was not satisfied that the lowest tenderer, who had been awarded the Braybrook contract, had the capacity to handle both projects.

Exhibit
118/23

(c) Heidelberg.

158 Although it was expected that the construction of this project would be completed late in 1968-69, tenders were not called by the Housing Commission until 14 June, 1969. The expenditure of £3750 in 1968-69 related to the demolition of an old house on the site. The delay was attributed mainly to difficulties encountered by the Housing Commission in its application to the Melbourne and Metropolitan Board of Works for a planning permit to erect a three-storey block of eighteen flats on the site. The application was lodged

Exhibit
118/23

by the Commission in September, 1968, but the permit was not received until late in April, 1969. The permit limited the project to a two storey block of flats.

(d) Maribyrnong.

159 Although it had been expected that construction of this project of twenty-four flats would be substantially completed by 30 June, 1969, it was only at the time of our inquiry, that tenders were about to be called by the Commission. The delay in this case was also due to the length of time taken by the Victorian Housing Commission in obtaining a permit from the Melbourne and Metropolitan Board of Works for the erection of a three-storey block on the site. In October, 1968 the Commission applied for the permit. This was received in July, 1969.

Exhibit
118/23

160 The delays encountered in obtaining planning permits for both the Heidelberg project and the Maribyrnong project were said to have arisen from the gazettal in May 1968 of a Planning Scheme Ordinance under the Melbourne Metropolitan Planning Scheme which required all developers, including the Housing Commission, to obtain planning permits from the Melbourne and Metropolitan Board of Works for the erection of flats of more than two-storeys in height. Formerly, the Housing Commission was not obliged to obtain either planning or building permits for its works and delays in both the Heidelberg and Maribyrnong projects were entirely unexpected.

Exhibit
118/23 and
Q.890.

(e) Watsonia

161 An amount of \$180,000 was made available for this project in 1968-69 to meet progress payments expected to be made by the Housing Commission under a construction contract and the Commission's fee for services, the total estimated cost of the construction being \$250,000. It was decided not to proceed with the proposal when a privately-built project became available for purchase at East Burwood. As a result, the under expenditure of \$180,000 under the construction vote, Item 845.2.01, was more than offset by an expenditure of \$215,000

Exhibit
118/23 and
Q.891

under the acquisitions vote of the Additional Estimates for Item 855.1.12. The East Burwood property was purchased on 24 December, 1968 following negotiations extending over a two month period. The property was located by and negotiations for the purchase of the property commenced by the Department of the Interior.

. Western Australia

162 Details of Estimated and Actual Expenditure in Western Australia on this Item are given in Table No. 8.

Table No. 8.

Department of Housing

Item No. 845.2.01: Estimated and Actual Expenditure: Western Australia

(1968-69)

| Project | Funds Available | Expenditure | Shortfall in Expenditure |
|--------------|-----------------|-------------|--------------------------|
| | \$ | \$ | \$ |
| Carlisle | 77,374 | 77,484 | 490 |
| Coolbellup | 105,377 | 105,324 | 53 |
| Beaconsfield | 240,000 | - | 240,000 |
| Inglewood | 240,000 | - | 240,000 |
| Medina | 110,000 | - | 110,000 |
| Total | 773,751 | 182,808 | 590,943 |

Exhibit 118/23

Source: Department of Housing

(a) Beaconsfield.

163 Although it was expected that the State Housing Commission would be in a position to let a contract for the completion of this project in June, 1969, tenders were not expected to be invited until later in 1969. The delay in calling tenders was said to be due to a combination of circumstances. First, the capacity of the Housing Commission to undertake work on behalf of the Commonwealth had been limited by its own very heavy design and construction programme, brought about by development pressure in the State. As a result, there has been a long delay in the completion of plans and specifications.

Exhibit
118/23
4c.
893 and 894

Secondly, a delay of three months occurred in obtaining the necessary planning approval for the erection of a three-storey block of flats. In the case of the Beaconsfield project, and of most Housing Commission projects of a similar kind, the design work consists mainly of an adaptation of the Housing Commissions' standard plans and specifications.

164 We were informed that the delay in obtaining the necessary approval for the erection of the three storey block of flats, arose from the fact that a statutory period of three months is provided to allow objections by the public to the granting of a planning permit sought by a developer in areas not zoned for flat development. The Beaconsfield land is zoned for single dwellings and at the time of our Inquiry the Western Australian Housing Commission had not received a permit for the erection of flats on the site. The State Housing Commission had given an assurance to the Department of Housing that checks would be made with a view to expediting the permit.

165 On the question as to why funds had been sought in the Original Estimates for projects for which State zoning problems had not been overcome the witness representing the Department of Housing indicated that to a large extent, guidance on projects had been in the form of advice received from the State Housing Commissions. In two States the advices had proved to be unduly optimistic.

Q.905

(b) Inglewood

166 When the Department's estimates for 1968-69 were prepared it was understood that there were no impediments to the commencement of this project. It was expected that construction would be completed late in 1969. Later, However, the Commission found that its offer to sell the site to the Commonwealth contravened the State Lands Acquisitions Act. It was not until May 1969 that the requirements of the Act could be met and the site re-offered to the Commonwealth.

Exhibit
118/23

At the time of our inquiry tenders were expected to be invited late in 1969.

(c) Medina

167 A project of twelve flats, programmed for construction at Medina at an estimated expenditure of \$110,000 in 1968-69 has been postponed indefinitely. Medina is in an area of residential development serving the Kwinana industrial complex. The Housing Commission had offered a suitable but unsewered building site to the Commonwealth, and expected to be able to let a contract in time for completion of the project in June, 1969. However it was decided subsequently to defer the Medina project indefinitely, because the Housing Commission's capacity to design projects was found to be limited through loss of technical staff and the pressure of its own work. Consequently, the three Commonwealth Departments concerned decided that the available capacity of the Commission should be concentrated on projects closest to Perth, namely Beaconsfield, and a new project planned for Tuart Hill.

Exhibit
118/23 and
Committee File
1969/4

Exhibit
118/23

168 During the year the Housing Commission indicated that a more suitable building site, which was sewerred, had become available in the Kwinana Area at Orelia.

Exhibit
118/23

. Tasmania

169 Details of Estimated and Actual expenditure under this item in Tasmania in 1968-69 are given in Table No. 9.

Table No. 9
Department of Housing
Item No. 845/2/01: Estimated and Actual Expenditure: Tasmania
 (1968-69)

| Project | Funds Available | Expenditure | Result |
|------------|-----------------|--------------|----------------|
| Burnie | \$ 41,163 | \$ 43,586 | \$ + .2,423 |
| Devonport | 30,156 | 34,288 | + 4,132 |
| Hobart | 240,000 | - | - 240,000 |
| Launceston | 100,000 | - | - 100,000 |
| Total | 411,319 | 77,874 | - 333,445 |

Exhibit
118/23

Source: Department of Housing.

(a) Hobart.

170 The experimental project decided on by the Ministers for Immigration and Labour and National Service included the provision of twenty-four flats in Hobart and twelve in Launceston. A project of twenty-four flats, at an estimated cost of \$240,000 was programmed for construction under contract by the Tasmanian Housing Department in Hobart during 1968-69. Some initial planning delay was caused by the need to refer the designs back to the State Housing Department for modification. In the meantime, it became evident from the leasing of flats that had been erected at Burnie and Devonport that there could be some difficulty in keeping the proposed number of flats at Hobart and Launceston continuously leased, and that financial losses could be incurred. On 5 June a ministerial decision was made that the Hobart and Launceston projects should not be commenced, pending a thorough re-appraisal of the availability of migrants desiring to settle in Tasmania.

Exhibit
118/23 and
Q.918

171 At the time of our inquiry the re-appraisal was being undertaken by the Department of Immigration. A request had been made to the London Office of the Department for an estimate of the number of migrants in the coming year likely to settle in Tasmania and likely to meet the Department's flat criteria. Qs.915 and 919

(b) Launceston.

172 A project consisting of twelve flats was programmed for construction, under contract by the State Housing Department in Launceston, during 1968-69 at an estimated cost of \$100,000. Considerable difficulty has been experienced in acquiring a site for flats in Launceston. When the departmental estimates for 1968-69 were being prepared, it was intended to have the flats erected on land owned by the Commonwealth at Mowbray Park. However, this intention was based on an understanding with the State Housing Department in about September, 1967 that it would purchase the remainder of the land from the Commonwealth for the construction of dwellings for its own programme, simultaneously with the construction of the flats project. In August, 1968, due to the price of the land at Mowbray Park the conclusion was reached that there was little point in continuing the negotiations. Exhibit 118/23 and Qs.922 to 925.

173 It was said that the development of the remainder of the land at Mowbray Park by the State authorities was vital to the Commonwealth project because the land, in an isolated locality, lacks facilities and amenities. When the Housing Department declined to confirm the arrangements made in 1967 there was no alternative but to abandon the proposal and search for another site. This proved most difficult. In August, 1968 a suitable site, comprising several small blocks was located at Merry's Lane. Following protracted delays that arose when the owner of one of the blocks refused to accept a price that accorded with the Commonwealth valuation it was decided to acquire a smaller area for six or perhaps Exhibit 118/23 Q.926

eight flats. The number of flats to be built was said to depend on an appraisal that was being made by the Department of Immigration and the Department of Labour and National Service of the number of flats that they require in Tasmania.

Conclusions

174 As in the case of Item 310/2/07 Your Committee notes that 1968-69 was the first full year of operation of the scheme to provide transitory flats for migrants.

175 A major part of the shortfall in expenditure under this Item arose from the fact that, early in 1968-69, reasonably priced flats became available for purchase in Sydney and Melbourne. Although earlier market surveys had not indicated that suitable properties would be available for purchase, Your Committee believes that the Department should have formulated its estimate for 1968-69 with considerable caution when it found, in April 1968, that it was able to acquire a newly-constructed block of twelve, two-bedroomed flats at Eastlakes, Sydney, from a private developer. There can be no doubt that this purchase was concluded prior to the formulation of the Estimate for 1968-69. In this regard we were informed that experience gained in furnishing the Eastlakes project had been a factor in the formulating of the Estimate for Item 310/2/07 for that year.

176 Your Committee also notes that in formulating its estimate for 1968-69 the Department consulted the State Housing authorities in mid-1968 for their assessment of the progress that could be achieved with the provision of flats in 1968-69. While the evidence shows that in some cases delays that occurred were beyond the control of the Department of Housing and the State Housing authorities, it has been Your Committee's experience over many years, that estimates supplied by State instrumentalities that do not have

access to Additional Estimates through State budgetary arrangements, tend to be framed on an optimistic basis. In this regard we would refer particularly to our Fifty-first, Seventy-fifth, Ninety-sixth and One Hundredth Reports. We therefore believe that the Department of Housing should formulate its Original Estimates each year on a conservative basis and seek further funds, if required, in the Additional Estimates later in the financial year.

Ps.Ps. Nos.
57 of 1961,
91 of 1966,
31 of 1968 and
214 of 1968.

177 In the case of the programme in Western Australia Your Committee notes that the Beaconsfield project was delayed, partly by the fact that the capacity of the State Housing Commission to undertake work on behalf of the Commonwealth had been limited by its own heavy design and construction programme. We believe that the Department of Housing should suggest to the State Housing authorities that they might consider the use of private agents to obviate such delays in implementing the Commonwealth programme.

Chapter 6Department of the Interior

- (1) Item: 360 2 C2: News and Information Bureau-Administrative Expenses-Office requisites and equipment, stationery and printing.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No. 1 | 22,500 | 30,000 | 28,000 |
| Appropriation Act No. 3 | 2,100 | - | 5,500 |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 24,600 | 30,000 | 33,500 |
| Total Expenditure | <u>23,913</u> | <u>27,575</u> | <u>22,715</u> |
| Unexpended Funds Available | <u>687</u> | <u>2,425</u> | <u>10,785</u> |

178 This item provides for the purchase of office requisites and equipment, including typewriters, stationery and printing. Exhibit 118/1

179 The Department informed us that the shortfall of \$10,785 in expenditure comprised \$3,004 in respect of the Australian Capital Territory; \$5,058 in New York; \$1,320 in Victoria and \$1,403 in other overseas posts and in other State Regional Offices. Exhibit 118/1

180 Regarding the A.C.T., \$12,100 was sought in the original draft estimate compared with actual expenditure of \$13,807 in 1967-68. In spite of increased activity in photocopying, printing etc., the Bureau's total expenditure for the year amounted to only \$8,496. The witnesses were unable to offer firm reasons to explain this unusual result. It was thought, however, that the level of expenditure in 1967-68 may have been unduly high as a result of a carryover of expenditure from 1966-67. In addition, the Department did not proceed with the purchase of typewriters valued at about \$500 pending the clearance from stock of typewriters on hand. Exhibit 118/and Qs. 277 and 278

181 Regarding the shortfall of \$5,058 in New York the

department explained that in the original draft estimates produced by the News and Information Bureau provision of \$11,600 had been sought for the New York Office for office requisites including duplicating and photocopying for the Office of the Consulate-General. In a Treasury memorandum dated 20 May, 1968 it was stated that the Office of the Consulate-General should provide for its requirements in New York and therefore the provision was reduced from \$11,600 to nil. On 2 September 1968 the Bureau explained that of the \$11,600 requested originally, \$5,500 had been sought for the normal operating expenses of the Bureau's New York Office. This was based on expenditure of \$5,383 in 1967-68. The Department of the Treasury then approved a commitment of \$5,500, pending Additional Estimates.

Exhibit
118/1

182 Although this commitment was approved for the normal operating expenses of the New York Office of the Bureau, the New York Sub-Treasury interpreted literally the earlier advice from the Department of the Treasury that the Office of the Consulate-General in New York must provide appropriation for office stores, stationery, equipment etc. Accordingly, the Office of the Consulate-General assumed responsibility for all costs including the Bureau share. As a result, \$442 only was brought to account in the Bureau's New York Office and a shortfall of \$5058 occurred in expenditure.

Exhibit
118/1

183 The witness representing the News and Information Bureau informed us that in providing the additional \$5,500, the Bureau had assumed that its New York Office would be aware of the situation that had arisen and would ensure that the charges were brought to account correctly. He admitted, however, that from the financial returns that he received from the New York Office he should have realised that the charges were not being brought to account correctly. Although early in the financial year he was aware of the problem that existed, he overlooked it later in the year.

Q.276

184 We were informed that in the case of the Victorian Office, \$1,500 had been provided in the Estimates. That office was continually under strength during the year due to resignations and a transfer of staff to and from overseas resulting in a total expenditure of only \$180.

Conclusions

185 Your Committee notes with concern the circumstances relating to the shortfall that occurred in expenditure in New York. The evidence tendered in this case shows clearly that misunderstandings occurred between the News and Information Bureau and the Sub-Treasury and the office of the Consulate-General in New York. Your Committee also notes the admission of the Department's witness that from the financial returns that he received from the New York Office he should have realised that the charges were not being brought to account correctly. This is particularly disturbing as the officer concerned was aware, earlier in the financial year, of the problem that had arisen but had overlooked it later in the year.

186 Your Committee is also disturbed by the fact that the witness was unable to offer firm reasons to explain the shortfall that occurred in expenditure under this Item in the Australian Capital Territory.

- (11) Item 360/2,03: News and Information Bureau-Administrative Expenses- Postage, Telegrams and telephone services.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 66,000 | 87,900 | 85,000 |
| Appropriation Act No.3 | - | - | 6,000 |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 66,000 | 87,900 | 91,000 |
| Total Expenditure | <u>64,563</u> | <u>76,245</u> | <u>82,858</u> |
| Unexpended Available Funds | <u>1,437</u> | <u>11,655</u> | <u>8,142</u> |

187 This item provides for payment of Postage, Telegram and Telephone charges in Australia and at overseas posts of the Bureau. Exhibit 118/2

188 \$5,805 of the \$6,000 sought in the Additional Estimates related to increased commitments amounting to \$4,236 in New York; \$662 in Bangkok; \$635 in Tokyo; \$93 in Manila and \$179 in Djakarta. Exhibit 119/2

189 The shortfall of \$8,142 in expenditure was in respect of the Film Division, \$4,276; and the Melbourne Office, \$2,684. In addition there was a variety of minor shortfalls in expenditure at overseas posts and Western Australia amounting to \$1182. Exhibit 118/2

. Film Division

190 In the estimate of \$22,000 included for the Film Division, provision of \$4,276 was made for the installation of a new switchboard, increased rental for the switchboard and additional telephones to cope with increased activity. When the P.M.G. engineers commenced installation of the new equipment, however, it was discovered that the room where the equipment was to be housed was too small, necessitating the removal of a brick wall and the use of an adjoining office. The Film Division was already in serious difficulties through lack of office accommodation. Exhibit 118/2 and Q.283

191 The office accommodation was aggravated further when in January 1969 the Public Service Board approved the creation of a further 17 positions to undertake film production for Expo '70 and in March 1969 approved the creation of a further 31 additional positions for the Film Division following a re-organisation. As a result of the changes that were occurring, the Postmaster-General's Department was requested in April, 1969 to review the switchboard requirements. Although additional accommodation was obtained on 13 May, 1969 in Gibbs Street, Chatswood and the Distribution Section was transferred to that location in July, 1969 it was not possible to obtain the required accommodation for the new and larger switchboard needed to provide additional lines.

Exhibit
118/2 Q.284
and Committee
File 1969/4

. Melbourne Office.

192 We were informed that expenditure at the Melbourne Office amounted to \$7,792 at the end of January which represented an average of slightly more than \$1,100 per month. On this basis the Melbourne Office sought an additional \$4,000 to the original appropriation of \$11,000 to cover expenditure for the remaining five months of the financial year. The expenditure rate, however, declined to less than \$880 per month. The witness informed us that total accounts presented at the close of the financial year amounted to only \$12,316 leaving \$2,684 unexpended.

Exhibit
118/2 and
Q.282

Conclusions

193

Your Committee accepts the Department's explanation.

(iii) Item 362/4/05: Australian Capital Territory Services-General Services-Social, cultural and community services.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 229,200 | 108,900 | 159,600 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 229,200 | 108,900 | 159,600 |
| Total Expenditure | <u>157,789</u> | <u>87,454</u> | <u>136,445</u> |
| Unexpended Available Funds | <u>71,411</u> | <u>21,446</u> | <u>23,155</u> |

194 This item provides for grants for social, cultural and community services in the Australian Capital Territory. Exhibit 118/3

195 A Departmental summary of the shortfall in expenditure in 1968-69 was as follows:-

| <u>Provisions not required</u> | \$ | £ |
|---|--------------|--------|
| Salvation Army | 30,000 | |
| Boy Scouts Association | 5,750 | |
| Handicapped Childrens Association | 5,250 | |
| Emergency Housekeeper and Home Help Service | 2,420 | |
| Franciscan Missionaries of Mary | 1,000 | |
| Miscellaneous | <u>1,900</u> | 46,320 |

| <u>Less: Payments made from uncommitted Funds -</u> | | |
|---|-----------|---------------|
| St. Vincent de Paul Society | 11,060 | |
| Girl Guides Association | 1,014 | |
| Outreach Incorporated | 11,000 | |
| Miscellaneous other | <u>91</u> | <u>23,165</u> |
| Underexpenditure - | | 23,155 |

. Salvation Army

196 The department explained that in accordance with the present policy of assisting certain charitable organisations an amount of money was to be made available to the Salvation Army on a \$1 for \$1 basis towards the cost of erecting a centre in Canberra to serve as a residential hostel and workshop for aged pensioners, itinerant men, ex-prisoners and alcoholics. Exhibit 118/3

197 In March 1968 the Salvation Army assured the Department that work on the hostel would proceed during 1968-69 and requested an amount of \$60,000 as the Commonwealth's share. However, provision was only made for \$30,000 in 1968-69 as the Salvation Army had not spent its full allocation in 1967-68. On 23 June 1969 the Salvation Army advised that the commencement of the building had been delayed a further four to six weeks and consequently the provision of \$30,000 was not required in 1968-69. Exhibit 118/3 and Qs. 305 and 306

198 We were informed that subsequent to the original assurance given in March 1968, the Department sent periodic reminders to the Salvation Army and received continued assurances that the project would be commenced in the near future. Q. 307

. Boy Scouts Association.

199 In accordance with approval given in 1964 for Commonwealth funds to be provided for the Boy Scouts Association, \$14,300 was allocated for their 1968/69 building programme. However, several of the Scouting Groups were unable to proceed with their building projects due to an inability to raise finance. As a consequence \$5,750 of the allocation remained unexpended. We were informed that the initial request for funds by the Association had been pruned considerably and close liaison had been maintained throughout the financial year. Exhibit 118/3 and Qs. 310 and 311

. Handicapped Children's Association

200 Included in the total provision of \$16,950 for this Association the Department allocated a subsidy of \$5,250 in 1968-69 for the establishment of Birralee Children's home for the intellectually handicapped. However, due to difficulties that arose in the recruitment of a trained nurse who was willing to act as house mother to the children, the Association became ineligible for a subsidy and the \$5,250 remained unexpended.

Exhibit
118/3 and
Q.313

. Emergency Housekeeper and Home Help Service

201 Provision was made for \$26,000 to be allocated for this service in 1968-69. It was explained that the subsidy represented the monetary difference between the fees collected and the operating costs of the service. The witness suggested that an increase in fees may have contributed to fewer people using the service. Conversely, because of wage increases more people were generally able to meet the full cost of the service provided.

Exhibit 118/3
and Qs. 314
and 315

. Franciscan Missionaries of Mary

202 Approval was given on 7 May, 1968 for the payment of \$8,100 to the Missionaries. Of this amount \$7,800 represented a capital grant on a \$1 for \$1 basis towards the cost of erecting a storehouse and workroom. The actual cost was \$13,600 which resulted in a shortfall of \$1,000. We were informed that the shortfall was the result of volunteer labour being used on internal fittings because of the difficulty experienced in obtaining the \$1 for \$1 grant.

Exhibit
118/3 and
Q.318 and
Committee File
1969/4

. Payments made from Uncommitted Funds

203 In May 1966 approval was given for the payment of a subsidy on a \$1 for \$2 basis to the Girl Guides Association to erect a guide hall in the Mt. Majura District. Provision was made in 1967-68 for payment of the subsidy but due to unforeseen difficulties the building had not advanced sufficiently to warrant payment of the full subsidy by 30 June 1968 and the balance of the subsidy

Exhibit
118/3

amounting to \$1,014 was paid in 1968-69 from uncommitted funds.

204 On 18 May, 1967 approval was given for financial assistance on a \$1 for \$1 basis for a capital grant to the St. Vincent De Paul Society amounting to \$25,000 towards the cost of erecting a night shelter for homeless men. The estimated cost of the project was \$50,000 but the final cost to the Society totalled \$72,120 and an additional \$11,060 was approved for payment to the Society.

Exhibit
118/3

205 During April, 1969 approval was given for a capital grant on a \$1 for \$1 basis to a maximum of \$12,500 to provide Outreach Incorporated with financial assistance to acquire a second home in the Curtin Area. Expenditure incurred by Outreach Incorporated to 30 June, 1969 totalled \$22,000 and a subsidy of \$11,000 was paid.

Exhibit
118/3

Conclusions

206 Your Committee appreciates that considerable uncertainties invariably surround projects put forward by voluntary organisations. On the basis of the evidence tendered, including the liaison maintained by the Department with the organisations concerned during the year, Your Committee accepts the Department's explanation.

(iv) Item 363/2/D1: Australian Capital Territory Police-Administrative Expenses-Travelling and subsistence.

| <u>Available Funds</u> | <u>1966-67</u> \$ | <u>1967-68</u> \$ | <u>1968-69</u> \$ |
|----------------------------|----------------------|----------------------|----------------------|
| Appropriation Act No. 1 | 16,200 | 15,000 | 37,400 |
| Appropriation Act No. 3 | - | 14,500 | 3,000 |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 16,200 | 29,500 | 40,400 |
| Total Expenditure | <u>15,124</u> | <u>29,432</u> | <u>36,088</u> |
| Unexpended Available Funds | <u>1,076</u> | <u>68</u> | <u>4,312</u> |

207 This item provides for the cost of travelling and subsistence to members of the Police Force engaged on prisoner escort, exhibit escort, travelling of recruits, attendance at training schools and Regulation 97 allowances. Exhibit 118/4

208 The Department informed us that the \$3,000 provided in Appropriation Act No.3, was to cover unforeseeable increased allowances under Regulation 97 payable to new recruits in July 1968 and February, 1969. Exhibit 118/4

. Escort of Prisoners

209 We were informed that the major shortfall of \$2,655 was due to a shortfall in escort and travel costs. Although the number of children charged with offences increased during 1968-69, fewer were committed to institutions. Similarly the number of females charged with offences increased but the charges were predominately for shoplifting and, in the main, were first offences. Accordingly, fewer imprisonments occurred. Exhibit 118/4

210 We were informed that comparatively recently a change had occurred in the administration of child welfare. Previously this work had been carried out by three officers of the New South Wales Child Welfare Department but currently this work is the responsibility of twenty officers of the Social Welfare Section of the Department of the Interior. The effect

of this change has been that reports on the home situation of a juvenile are made more quickly than in the past when it was necessary for a child to be remanded for fourteen days. This factor could involve the provision of interstate escorts to convey juveniles to suitable remand centres.

Q.296

.Exhibits

211 We were informed that a reduction of \$984 in expenditure arose from increased efficiency in the Scientific Section of the Police Force. All examinations of photographs, samples and plaster casts and preliminary ballistics examinations were made in Canberra instead of in Sydney as had been the case previously.

Exhibit
118/4 and
Q.299

.Attendance at courses

212 During 1968-69 arrangements had been made for six members of the Police Force to attend four separate training courses in Sydney and Melbourne, viz; use of breathalyser, public relations, sheep stealing, and detective training. Because most of these officers did not eventually attend the courses \$1,830 was not spent. The witness informed us that two officers were to attend the Melbourne C.I.B. course in September, 1968 and two in March, 1969. However, it was found that no vacancies existed in Victoria and the officers were unable to attend. Only two of these officers subsequently attended a detective course in Sydney. The proposed attendance of an officer at the sheep stealing course did not eventuate following the abandonment of the course. The attendance of an officer at a breathalyser course was cancelled because the introduction of the breathalyser in the A.C.T. was not then imminent.

Exhibit
118/4 and
Qs.300 and 302

. Administrative travel

213 We were informed that overexpenditure of \$1,157 occurred on administrative travel. This was due largely to an investigation of allegations made against a serving member of the Police Force and a murder investigation which entailed travel interstate by the two investigating Inspectors.

Conclusions

214 Your Committee accepts the Department's explanation.

(v) Item 368/3/04: Northern Territory Services—Welfare of Aborigines—Educational services.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 165,000 | 268,000 | 280,000 |
| Appropriation Act No.3 | - | - | 55,000 |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 165,000 | 268,000 | 335,000 |
| Total Expenditure | <u>153,255</u> | <u>228,410</u> | <u>286,463</u> |
| Unexpended Available Funds | <u>11,745</u> | <u>39,590</u> | <u>48,537</u> |

215 This item provides for the education of Aboriginal children in the Northern Territory, for the post school vocational training of Aborigines, and for the equipping of schools operated by the Administration, by missions and by pastoral managements. It also covers the cost of operation of Kormilda College and the Central Training Establishment in Darwin.

Exhibit
118/5

216 The Department informed us that the additional amount of \$55,000 was sought in Appropriation Act No.3 to cover unexpected costs. These costs were as follows:-

- (a) Allowances payable to Aboriginal Teaching Assistants and School attendants at Mission Stations and Pastoral Properties were increased as from February, 1969 and it was estimated that additional funds of \$25,000 were required, bringing the total allocation under that heading to \$45,000.
- (b) Kormilda College Operating Costs amounted to \$4:15 per head per week compared with an estimated \$3:28. Additional funds of \$9,000 were obtained for this purpose.

- (c) The funds provided for the wages of industrial staff employed at Kormilda College were insufficient to meet requirements and it was necessary to seek an additional amount of \$21,000. Provision for part of the industrial staff had been made under Division 368.3.01, under the sub item "Special Jobs" and although savings occurred in that appropriation, provision should have been made for all the wages under Division 368.3.04. Exhibit
118/5

217 Regarding the increase from an estimated \$3.28 to an actual \$4.15 per head per week at the Kormilda College, the witness informed us that when the original calculation was made the estimate was based on stores food but a number of supplementary rations covering fresh food issues to the college were not included. The witness pointed out that 1968-69 was the first full year of operations for the college. Q.177

218 The witness informed us that the extra funds needed for industrial staff at the college were involved with the takeover of the Qantas buildings for use by the administration as Kormilda College. This transfer was handled initially by the Local Government and Community Services Branch of the Administration. In the college there were a number of positions, such as fitters, gardeners and handymen, required to maintain the building. As the setting up of the college complex required additional laundering, cooking and maintenance staff it was considered desirable to centralise all wages under Item 368/3/04. Qs. 179 and
180.

219 We were informed that shortfalls in expenditure occurred in the following areas:-

. Training Allowances.

220 In calculating the increased allowances payable to Aboriginal teaching assistants and school attendants, provision was made for the employment of adult males and females on a 7 to 3 ratio based on an earlier worker appraisal survey during the 1968 school year. However, the actual situation in the 1969 school year was 4 females, 1 male and 2 juniors to 5 adults. As there is a considerable training allowance differential between male and female, and junior and adult, the actual expenditure fell short of estimated requirements by \$16,691.

Exhibit
118/5 and
Qs. 181 to 186

. Training Courses.

221 It was stated that an important part of the activities to increase aboriginal participation in the conduct of settlements is the special training programmes conducted by the Welfare Branch. It was proposed to increase the number and scope of these courses in 1968-69 and provisions made for the extra expenditure involved. Because of the increasing pressure being exerted on the Welfare Branch as a result of Government concentration on aboriginal welfare matters it became apparent that a full review of the Welfare Branch organisation was necessary. This review was being made at the time of our inquiry. Because of that review an earlier proposal to create extra positions of instructors was set aside. Also the Department of Health and the Department of Education and Science were unable to supply some of the instructors originally planned. With the reduction and non-availability of instructors, only \$14,418 was expended from the total of \$36,000 allowed for Training Courses.

Exhibit
118/5 and
Qs. 187 to
196.

. Teachers in Training.

222 We were informed that provision was made for the payment of fees for Welfare Branch and Mission teachers in training to attend Southern Colleges. Because of late withdrawals and fewer graduate teachers than expected enrolling to complete third year training, as well as more teachers in training selecting the Australian School

Exhibit
118/5

of Pacific Administration where no fees are payable, to complete their training, only \$20,123 was expended from the total allocation of \$38,000 provided for this purpose. Some of these surplus funds were recognised when the Additional Estimates review was made and were used to offset minor overexpenditures on other items within the vote.

Conclusions

223 Regarding the operating costs at Kormilda College Your Committee notes that an additional \$9,000 was provided in the Additional Estimates to cover supplementary rations such as fresh food issues. While we acknowledge that 1968-69 was the first full year of operation of the College we believe that provision for these rations should not have been overlooked in the formulation of the Original Estimate. Your Committee accepts the Department's explanation, however, in relation to the circumstances that gave rise to a shortfall in expenditure.

- (vi) Item 368/3/75: Northern Territory Services-Welfare of Aborigines - Materials for minor works, repairs and maintenance of buildings on settlements.

| <u>Available Funds.</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | 3 | 3 | \$ |
| Appropriation Act No.1 | 56,000 | 60,000 | 80,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Available Funds | 56,000 | 60,000 | 80,000 |
| Total Expenditure | <u>55,503</u> | <u>53,229</u> | <u>62,220</u> |
| Unexpended Available Funds | <u>497</u> | <u>6,771</u> | <u>17,780</u> |

224 This item provides for the supply of materials, other than stores stock items, for minor new works and maintenance on settlements. The work is undertaken under an arrangement with the Department of Works and is carried out by a mobile works force with tradesmen and Aboriginal assistance. Exhibit 118/6

225 It was stated that the estimate of \$80,000 was constructed on the basis of a draft work programme at the stage when the Estimates were prepared. Basically, the programme took into account likely material, labour and transport costs involved in implementing the programme. Q.206

226 We were informed that the technical details of the new works projects were not, in fact, completed until September, 1968 when the programme was submitted to the Department of Works for approval. Following discussions and the submission of further detail the programme was approved in December of that year. Exhibit 118/6

227 The delays involved in the preparation of the programme and its subsequent implementation were said to have been mainly due to staffing difficulties which became evident in 1967-68 in the Works and Services Section of the Welfare Branch, the group responsible for arranging and requisitioning the programme. These problems intensified in 1968-69. Apart from transfers and a shortage of Exhibit 118/6 and Q.207

staff, the most serious setback resulted from the absence on sick leave of the works supervisor from March to June 1969.

228 The problems of programme formulation in the Branch were increased by the addition during the year of a supplementary new works programme approved by the Minister-in-Charge of Aboriginal Affairs and financed from the Aboriginal Advancement Trust Fund which was set up late in 1968. Expenditure on materials in respect to that programme, as it related to welfare settlements was \$47,569.

Exhibit
118/6 and
Qs.211 to 213

229 We questioned the witness as to whether the addition of the supplementary works programme involved a duplication of work between two Authorities in the Territory. We were assured however, that there was a continuing need for this type of work and no duplication was occurring. The Treasury Observer, Mr. Maunder informed us that the money from the Aboriginal Advancement Trust Funds was intended to provide for assistance to Aborigines in the fields of housing, education and health and for assisting enterprises carried on by Aboriginal citizens. He added that at the time of formulating its Estimates, the Department of the Interior would not have known in specific detail how much would become available from this Trust Account. The imposition of the new programme in addition to the existing programme created a work load greater than the understaffed section could handle.

Qs.214 to
216 and
218

Conclusions

230 Your Committee notes that the Original Estimate for this Item was set at \$80,000 for 1968-69 compared with actual expenditure of \$55,503 in 1966-67 and \$53,229 in 1967-68. The Estimate for 1968-69 was framed on the basis of a draft works programme that was not finally approved, in fact, until December 1968. We believe that as staffing difficulties had begun to emerge in 1967-68 within the Works and Services Section of the Welfare Branch, which is responsible for preparing and implementing the works programme, the Department should not have sought a comparatively substantial increase in the Original Estimate for this Item.

(vii) Item 684: Department of the Army-Acquisition of Sites and Buildings.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|----------------|
| Appropriation Act No.1 | 1,250,000 | 634,000 | 726,200 |
| Appropriation Act No.3 | - | 416,000 | - |
| Advance to the Treasurer | - | 192,000 | - |
| Total Funds Available | 1,250,000 | 1,242,000 | 726,200 |
| Total Expenditure | <u>1,224,506</u> | <u>1,241,410</u> | <u>417,915</u> |
| Unexpended Available Funds | <u>25,494</u> | <u>590</u> | <u>308,285</u> |

231 This item provides for the acquisition of sites and buildings for the Department of the Army.

Exhibit
118/7

232 Regarding the Estimate of \$726,200 we were informed that in January each year departments are required to notify the Department of the Interior of their acquisition proposals in the forthcoming financial year. Those proposals are examined by the Department of the Interior and referred to the Chief Property Officers in the regional offices for investigation and report. Usually in May each year, the Chief Property Officers submit their reports. The Central Office of the Department of the Interior then investigates the proposals with a view to determining, largely on the basis of past experience, whether the assessments made by the Chief Property Officers are capable of performance. The Department of the Interior, in association with the client departments then formulates the acquisition programme in discussions with the Department of the Treasury. An assessment is made of those proposals within the programme that can reasonably be anticipated will be completed within the forthcoming financial year.

Qs. 331 and
332.

233 The Department's written submission showed that the shortfall of \$308,284 in expenditure in 1968-69 arose almost wholly from the six acquisition projects referred to below.

. Wallgrove, New South Wales.

234 It was estimated that \$12,600 would be required to purchase land at Wallgrove New South Wales adjoining the existing Army establishment. Originally the land was acquired by the New South Wales Department of Main Roads as part of a holding needed for an expressway but the eighteen acres in which the Commonwealth was interested was not required for road purposes at that time. On this basis it was expected that the item would be completed during 1968/69. The Department of Main Roads, however, later advised the Chief Property Officer for New South Wales that part of the area would be required for expressway purposes but that it would be some time before the area actually required could be defined with certainty. In these circumstances it was considered not practicable to complete the transaction and the \$12,600 provided remained unexpended.

Exhibit
118/7
Q/333

. South Sydney, New South Wales

235 This proposal related to the acquisition of 21 married quarters for Army officers.

236 We were informed that in framing the 1968-69 programme, the Department of Interior had advised the Department of the Treasury that the cost of 21 separate dwellings would be \$330,000 while the cost of 21 flats would be \$270,000. By comparison, the cost of 20 flats in blocks of 10 each and one four-bedroom 'patio/town' house would be \$288,000. On the basis that a prompt decision could be made as to the type of dwelling required, no great difficulty was expected by the Department of the Interior in completing the acquisition during the currency of the financial year and £288,000 was provided for the purpose.

Exhibit
118/7

237 On 23 July, 1968, however, the Department of Defence advised that the Army had made oral representations for the item to be varied to the acquisition of 21 three-bedroom 'patio/town' houses. To enable consideration to be given to this request the Chief Property Officer for New South Wales was asked to provide an estimate for the provision

of these houses in the Long Bay area. In a memorandum dated 12 September, 1968, the Chief Property Officer, forwarded direct to the Defence Department, sketch plans of flat and town house development proposals in that area. He then expressed the view that if these proposals were not acceptable there would be little prospect of the item being completed during 1968/69 and sought an early decision.

Exhibit
117/7

238 In October 1968 the Chief Property Officer advised the Department of the Interior that it had been expected that purchase arrangements would have extended over a period of at least eight or nine months. However, as there was no indication of an early decision, he recommended that the item be deleted from the programme. In November, 1968 the Department of the Interior advised the Department of Defence, Department of the Treasury and Department of the Army that due to the delay that had occurred in determining firm requirements the responsibility must rest with the sponsoring departments. In December 1968 the Department of the Army advised the Department of the Treasury and the Department of Defence that the Item had been deferred.

Exhibit
118/7

239 In explaining the circumstances of this matter the witness representing the Department of the Army informed us that it has been established policy for some years that the first source of housing for servicemen's families is through the Commonwealth-State Housing Agreement. Under that Agreement the Commonwealth provides additional funds to the States on the basis that they will allocate a proportion of their houses to servicemen's families.

Q.342

240 When approval was given in 1967 for the acquisition of 21 home units it was understood that the New South Wales Housing Commission was not prepared to build or provide houses in the area under the Commonwealth-State Housing Agreement. During discussions that occurred in September 1968, however, the Housing Commission indicated

Q.352

that it might be prepared to provide the houses that were required. Accordingly, in December 1968 it was decided not to proceed with the acquisition of either flats, 'patio/town' houses or ordinary houses but to revert to the normal policy of obtaining houses under the Commonwealth State Housing Agreement. Provision was made for this in the 1969-70 acquisition programme.

.Singleton, N.S.W.

241 \$500 was provided for a sewer pipe line at Singleton. Partial settlement was effected but the balance of \$204 remains unspent as the Deputy Crown Solicitor was unable to obtain satisfactory responses from the solicitors for one of the vendors. This was due primarily to the fact that part of the land is subject to mortgage and estate problems. Exhibit 118/7

. Port Wakefield, South Australia

242 This matter was included originally in the programme at \$3,000 but a further \$270 was made available from the contingency item to effect settlement. After the interest of the State of South Australia was settled, a balance of \$3,236 remained. Instructions for settlement of the acquisition of the remaining privately-owned land were given to the Deputy Crown Solicitor in April, 1969. However, the vendor's Solicitors failed to return the documents in time for the Deputy Crown Solicitor to effect settlement. The cheque was returned on 25 June, 1969 resulting in a shortfall of \$2,766 in expenditure. Exhibit 118/7

. Georgetown, Tasmania

243 We were informed that this item, which related to the acquisition of land by one Commonwealth Department from another, had been included in the programme on a recommendation from the Department of Works. In determining whether the land would be suitable for the Department of the Army the Department of Works had made only a perfunctory examination of the site. When it later made a closer examination however, from the point of view of building, it discovered foundation problems that made the land unsuitable. The project valued at \$350 was deleted from the programme. Exhibit 118/7 and Q.380

.Buckland, Tasmania

244 An amount of \$2,711 was provided in the Estimate to cover part of a proposal to acquire 4,602 acres of land valued at \$50,000. Most of the claims were settled but two of them posed particular difficulties. One of these which involved a Crown land road reserve, involved survey problems. In the other case an uncertainty arose as to the ownership of the land and the Department was unable to make payment for its acquisition.

Exhibit
118/7 and
Q.382

Conclusions

245 Your Committee accepts the Department's explanation. In the case of the proposed acquisition at Georgetown, Tasmania, however, Your Committee notes with concern that in determining whether the land would be suitable for the Department of the Army, the Department of Works had evidently made only a perfunctory examination of the site. A closer examination of the site, however, showed it to be unsuitable. Your Committee regards this state of affairs as unsatisfactory.

246 Your Committee also regards as unsatisfactory the fact that an uncertainty evidently existed as to the ownership of land required in connection with the project at Buckland, Tasmania.

(viii) Item 855 1 05: Capital works and Services-Acquisition of Sites and Buildings-Department of Civil Aviation-Northern Territory.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | - | - | 16,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Available Funds | - | - | 16,000 |
| Total Expenditure | - | - | 50 |
| Unexpended Available Funds | - | - | 15,950 |

247 Funds are provided under this item to cover the cost of acquiring sites and buildings on behalf of the Department of Civil Aviation in the Northern Territory. Exhibit 118/8

248 It was stated that the Estimate for this item in 1968-69 was based on the acquisition of a 650 acre site for \$15,000 at Alice Springs and a site for Borroloola Airport for \$1,065. Exhibit 118/8

249 The Alice Springs site, an Agricultural Lease bordering the Alice Springs Airport, was to be purchased for the purpose of reducing the dust hazard in the area. It was expected that this lease would be acquired either by agreement or by compulsory process during the financial year. The acquisition was initiated in October 1967 and in March, 1968 the lessee's solicitor sought compensation amounting to \$15,360. It was not until May, 1969 however, that the Minister signed papers ready for Executive Council ratification, Legal difficulties followed involving about six weeks discussion with the Crown Law officer in Darwin, concerning the wording of "public purpose" in the documents. The papers were resubmitted for the Minister's signature following the legal advice. Exhibit 118/8 and Qs.249, 250 and 252.

250 The use of the words "public purpose" was also the cause of delay in the acquisition of land for Borroloola airport. There were 23 separate blocks involved in this acquisition; and

most were owned by absentee owners. Compulsory acquisition was delayed pending legal advice on aspects of this acquisition, and action was not completed by June, 1969. Payment of 350 was made to one owner whose block was acquired by agreement in 1968/69.

Exhibit
118/8 and
Qs. 249 and
253

Conclusions

251 Your Committee notes with concern that while the acquisition of land at Alice Springs commenced in 1967 and the Lessee's solicitor sought compensation in March, 1968, it was not until May 1969 that the necessary documents for Executive Council ratification were signed. Your Committee is greatly disturbed by the fact that subsequently, legal difficulties arose concerning the wording of "public purpose" in the documents and this involved further delays before the documents could be resubmitted to the Minister for signature. We regard these circumstances as unsatisfactory.

- (1x) Item 855/1/16: Capital Works and Services-Acquisition of Sites and Buildings-Department of the Interior-Northern Territory services.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 14,000 | 21,000 | 16,000 |
| Appropriation Act No.4 | 201,000 | - | - |
| Advance to the Treasurer | - | - | - |
| Total Available Funds | <u>215,000</u> | <u>21,000</u> | <u>16,000</u> |
| Total Expenditure | <u>213,447</u> | <u>9,190</u> | <u>7,978</u> |
| Unexpended Available Funds | <u>1,553</u> | <u>11,810</u> | <u>8,022</u> |

252 Funds are provided under this appropriation to cover the cost of acquiring sites and buildings by the Administration in the Northern Territory.

253 We were informed that acquisitions at Chambers Pillar, Batchelor, Illamurta Springs, Waigat Reserve and Darwin were included in the approved cash programme for 1968-69. During the year additional acquisitions involving \$2,106 were added to the programme. Exhibit 118/9

254 The evidence showed that the acquisition of a site for the Australian Atomic Energy Commission at Batchelor, valuation and legal fees connected with DTAL 327 and Noonamah freeholds were the main elements accounting for the shortfall of \$8,022 in expenditure. Exhibit 118/9

255 We were informed that in 1967 a site had been acquired compulsorily at Batchelor for the Australian Atomic Energy Commission and it had been expected that a claim for compensation would have been presented for payment in 1968-69. In August 1967 the Department wrote to the sole executor agreeing to the compensation figure that he had sought for the land. In February, 1968, when the Estimates for 1968-69 were being prepared, a reply was received. Exhibit 118/9 and Qs. 254, 260 to 263.

from the executor in which he mentioned that he was experiencing difficulty in contacting relatives who had an interest in the land. It was not until later in the financial year 1968-69 that the Department began to have doubts as to whether the executor would be successful in contacting the relatives concerned. The witness' stated that, at the time of our inquiry, it appeared clear that there was little likelihood of the compensation question being resolved. The shortfall in expenditure amounted to \$1,280. No provision was included for this purpose in the Estimates for 1969-70.

256 It was stated that DTAL 327 was acquired compulsorily on 13 January, 1966. A Bill of Costs claiming 3,583 was received from the owner's solicitors. The bill was taxed by the Master of the Supreme Court who reduced the amount by \$700 in February, 1968. The Crown Law officer considered that a substantial portion of the bill had been improperly allowed and lodged a Notice of Objection. However, the Department considered that \$3,600 should be provided in the Appropriation to cover the full costs.

Exhibit
118/9

257 The Bill of Costs was reviewed by the taxing master in September, 1968, and he reserved his decision. At that stage the Crown Law Officer agreed that a part of the bill for valuation fees and engineering charges totalling \$1,557 should be paid. The taxing master however resigned before handing down his decision. This would have necessitated the entire case being reheard but for the fact that in June, 1969 the Crown Law Officer entered into negotiations with the owner's solicitors to seek a suitable settlement. The negotiations were proceeding when our inquiry occurred. The shortfall in expenditure amounted to \$2,043.

Exhibit
118/9 and
Cs. 267 and 268

258 Regarding the Noonamah freeholds we were informed that in 1964 proposals had been considered to acquire three areas of land to constitute economic farming areas. The areas required were freehold but an acquisition was to be made available on a leasehold basis. Considerable

opposition developed in respect of the proposal, however, partly because a number of people were anxious to acquire areas of freehold land for farming and partly because the value of acquired land had risen substantially. There were also doubts as to whether the acquisition could be justified on the ground of the finance involved. In these circumstances the Minister decided in April, 1969 not to proceed with the acquisition. The resulting shortfall in expenditure amounted to 35,780.

Exhibit
118/9 and
Qc.256 and 258

Conclusions

259 Regarding the compulsory acquisition of a site for the Australian Atomic Energy Commission the evidence shows that when the Original Estimate was formulated, the Bill of Costs relating to the DTAL 327 acquisition was subject to appeal. Your Committee believes that, in the circumstances, the Department should not have provided for the full amount of that Bill in the Original Estimates.

260 It also appears to Your Committee that, having regard to the difficult circumstances connected with the acquisition of land at Noonamah, the Department would have been well advised to defer its request for funds for this project until a later stage.

Chapter 7Department of the Navy

- (1) 634.0.11: Administrative Expenses and General Services-Minor building maintenance and works.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| Appropriation Act No.1 | 60,000 | 60,000 | 60,000 |
| Appropriation Act No.2 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 60,000 | 60,000 | 60,000 |
| Total Expenditure | <u>52,094</u> | <u>48,505</u> | <u>39,495</u> |
| Unexpended Available Funds | <u>7,906</u> | <u>11,495</u> | <u>20,505</u> |

261 This Item provides for minor new works and repairs and maintenance, costing not more than \$100 in any one instance, which may be carried out without reference to the Department of Works. Exhibit 118/24

262 The estimate of \$60,000 for the item in 1968-69, was based on requests received from several local Naval Administration Authorities. Qs.965 to 968

263 We were informed that \$20,000 of the shortfall on estimated expenditure was due to the fact that work which would have been arranged by the Department of the Navy and carried out under contract was actually carried out by the Department of Works cell at HMAS "LEEWIN" following its activation in September, 1968. The evidence showed that the Department of the Navy was aware in 1966-67 of the proposed Department of Works cell at HMAS "LEEWIN". Exhibit 118/24 Q.963

264 The remaining shortfall of \$500 represented the net effect of variations in actual as against estimated expenditure in all other States. Exhibit 118/24

Conclusions

265 Your Committee believes that the Department did not exercise proper care in the formulation of the Estimate for this Item. The evidence shows that as early as 1966-67 the Department was aware of the proposal to establish a Department of Works cell at HMAS "LEEUWEN". Evidently the Department of the Navy failed to maintain proper liaison with the Department of Works in connection with the development of this project.

(11) 642

Aircraft Purchase

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 1,276,000 | 1,135,000 | 481,000 |
| Appropriation Act No.3 | 334,000 | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 1,610,000 | 1,135,000 | 481,000 |
| Total Expenditure | <u>1,483,712</u> | <u>518,662</u> | <u>261,194</u> |
| Unexpended Funds Available | <u>126,288</u> | <u>616,338</u> | <u>219,806</u> |

266 The estimate of \$481,000 for this item was based mainly Q.969.
on two major elements, one for Jindivik Targets, and the other
for tooling associated with the introduction of Skyhawk Aircraft
into the Royal Australian Navy. The former estimates were based
on advice received from the Department of Supply and the latter
were made by the Department of the Navy following consultations with
the manufacturers of the equipment.

267 We were informed that the principal reason for the
shortfall of \$219,806 on this item related to the proposed purchase
of Jindivik target aircraft. The original proposal to order eight
aircraft was limited to five through funds allocation by the
Department of the Defence. Approval of the order was not received Q.985
until December 1967 and a demand could not be made on the Department
of Supply until February, 1968. This led to the inability of the
latter department to claim for an advance to order "long lead" items.
Details of the expenditure shortfall of \$220,000 are given in Table No. 10.

Table No. 10
Department of the Navy
Item 642 - Shortfall on Estimated Expenditure
 (1968-69)

| Item | Amount |
|------------------------------------|---------|
| | \$ |
| Delays in the Rendition of Claims | 141,000 |
| Delivery by local Contractor | 7,000 |
| Technical Delays | 6,000 |
| Saving in cost on completed orders | 6,000 |
| Administrative Delays | |
| Miscellaneous variations | 5,000 |
| Total | 220,000 |

Exhibit
118/25

Source: Department of the Navy.

. Delays in the rendition of claims

(i) Jindivik Target Aircraft.

268 An order was placed on the Department of Supply in February, 1968 for the provision of five Jindivik target aircraft at an estimated cost of \$750,000. Jindivik aircraft are manufactured in Australia, a large part of the component parts being imported. There was no expenditure on the aircraft in 1967-68 although provision had been made for part payment for "long lead" imported items required in construction.

Exhibit
118/25
Cs. 972 and
973.

269 After consultation with the Department of Supply, provision of \$248,000 was made for expenditure in 1968-69. However, claims received between 22.1.69 and 9.6.69 amounted to only \$139,483 leaving a shortfall of some \$108,000 on estimated expenditure.

Exhibit
118/25
Cs. 974, 977
and Committee
File 1969/4

(ii) Ground Support Handling Equipment.

- 270 An additional shortfall of \$20,000 occurred on a budget estimate of \$28,000 because of delays in deliveries and the consequent rendering of claims by the Department of Supply for modified ground support handling equipment launching trolleys for Jindivik target aircraft. Exhibit 118/25
- 271 We were informed that two orders were involved in connection with this equipment. One related to ground supporting equipment for Jindivik aircraft, and the other related to radar. The ground support equipment was ordered in 1965 and was delivered with the exception of two mobile electric power suppliers which had been delivered to the Department of Supply but had not been delivered to the Department of the Navy. It was indicated that design problems had been encountered with this equipment. The Radar equipment, ordered in Italy through the Department of Supply, has been delivered and installed. A payment of \$199,000 was made against the estimated cost of \$208,000. Q.978
- 272 (iii) Delay by Contractor in lodging claims. A further shortfall of \$15,000 occurred due to lags in the receipt of claims from the Department of Supply in respect of an order placed early in 1968-69 for ground handling and tooling equipment for Skyhawk aircraft at an estimated cost of \$153,000. This was due in part to a delay by the Contractor in lodging his final claim with that Department. Exhibit 118/25
- 273 It was explained that deliveries of the equipment were made progressively in 1968 and 1969. The claims were finally paid by the Department of Supply on 10 June, leaving insufficient time for that Department to reclaim from the Department of the Navy and to effect payment. The main reason for the delay was that Qantas Empire Airways which sub-contracted orders for engine tooling for Skyhawk aircraft, was required to pay the sub-contractors and then claim from the Department of Supply. Qs.979 and 980

. Delivery by local contractor

274 A shortfall of \$7,000 occurred due to delays in delivery by a local contractor, of engine tooling equipment for Skyhawk aircraft ordered in February, 1969 at an estimated cost of \$7,000. Qantas has a contract for overhauling both the airframe and engine and particular components of Skyhawk aircraft. It was explained that in order to set up an overhaul facility, drawings must be obtained from the United States of America and various manuals studied before a decision can be made regarding tooling requirements. It was said that continuous contact was being maintained with Qantas in order to expedite delivery of the equipment.

Exhibit
118/25 and
Q.981

. Technical delays

275 There was a shortfall of \$6,000 due to delays in finalising technical specifications and various equipments for Skyhawk aircraft because of delays experienced in the receipt of technical publications from the United States of America. At the time of our inquiry the delays had had no effect on operations as the first overhaul of Skyhawk aircraft was being undertaken by Qantas at Mascot.

Exhibit
118/25 Qs.
982 and 983

. Administrative delays

276 Administrative processes were said to have prevented orders being placed until March, 1969 for Jindivik targets valued at \$50,000 and other items valued at \$5,000. It was explained that because of Defence Programme considerations, approval to order the Jindivik target was not obtained from the Department of Defence until 10 March, 1969. Although the Department of the Navy had received verbal information and despatched a demand on 7 March this was too late for the Department of Supply to claim advance payment.

Exhibit
118/25 and
Q.984

Conclusions

277 In general Your Committee accepts the Department's explanation. We are concerned however, by the statement that administrative delays retarded the placement of orders for Jindivik targets until March, 1969. We believe that every effort should be made to avoid delays of this nature.

(iii) 646. - Defence Research and Development.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 433,000 | 350,000 | 636,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 433,000 | 350,000 | 636,000 |
| Total Expenditure | <u>347,630</u> | <u>329,173</u> | <u>274,592</u> |
| Unexpended Funds Available | <u>85,370</u> | <u>20,827</u> | <u>401,408</u> |

278 This item provides for equipment and services for research at The Royal Australian Navy Laboratory, equipment contracts for experimental purposes initiated by the Naval Technical Services Branch, and equipment associated with test analysis of fighting equipment. The estimate for 1968-69 consisted of \$416,000 for the Research Laboratory, \$37,000 for corrosion and anti-fouling, \$100,000 for Naval technical services investigation; and \$83,000 for the Royal Australian Navy Trials and Assessing Unit and incidental expenses. Details of the shortfall in expenditure in 1968-69 are given in Table No.11.

Exhibit
118/26 and
Qs. 995 and
1026

Table No.11Department of the Navy.

Item No.646: Shortfall on Estimated Expenditure
(1968-69)

| Item | Amount |
|--|---------|
| | \$ |
| Delays in finalisation of arrangements | 202,000 |
| Deferment of project | 70,000 |
| Late placement of Orders | 61,000 |
| Lags in Deliveries | 13,000 |
| Deferred payment | 6,000 |
| Dockyard Services | 14,000 |
| Lag in Payments | 9,000 |
| Miscellaneous | 26,000 |
| Total | 401,000 |

Exhibit
118/26

Source: Department of the Navy.

. Delays in finalisation of arrangements.

(i) Oceanographic Research.

279 It had been planned that commercial resources would be engaged by contract, with estimated expenditure of £80,000 in 1968-69 to assist in the programme of oceanographic research extending over several years. However the time required to process the proposal was underestimated with the result that the planned expenditure could not be achieved by 30 June, 1969. Exhibit
118/26

280 We were informed that the programme of oceanographic research being undertaken is an extension of a similar programme being undertaken in Britain where the Admiralty Research Laboratories have an association with a local firm. It had seemed reasonable to the Department of the Navy that advantage be taken of the equipment already procured by the British organisation and it had been expected that the expertise of the organisation could be implemented fairly quickly. By July 1968 approval had been obtained in principle from the Naval Scientific Policy Committee and the Naval Oceanographic Committee to proceed with investigations. Following detailed examinations within the Department of the Navy a submission was made to the Defence Research Development Policy Committee and to the Department of the Navy prior to February, 1969. Following approval by the Defence Research Development Policy Committee it was referred to the Defence Committee but was not returned to the Department to obtain Ministerial approval until June, 1969. By late August, 1969 Ministerial approval to the programme had been granted and a request made to the Department of Supply to proceed with contractual arrangements. Qs. 997 and
998.

(ii) New Scientific Projects

281 Five new projects, for which \$67,000 was provided in the Original Estimates were unable to proceed because of staff shortages that arose from difficulties in highly specialised scientific staff, Exhibit
118/26

282 Three of the five were classified projects and were largely the result of contingency action within the Navy in support of projects being undertaken by the Department of Supply. An amount of \$10,000 had been allowed for each of these three projects on the basis that the Navy would be asked to undertake tasks for the Department of Supply. In the event this assistance was not required. A further \$30,000 was provided for the RAN Trials Assessing Unit. The Unit, which is a new organisation, had experienced some difficulty with administrative procedure. Because of staff shortages there was insufficient time for the writing of adequate specifications for equipment.

Q.999

(iii) Naval Construction.

283 An amount of \$142,000 was provided for expenditure on a number of research and experimental tasks, allied with Naval construction. As the tasks comprised a number of relatively minor projects, it was difficult not only to assess the likely costs but also to predict the range of expenditure likely to be involved. In the event actual expenditure amounted to \$87,000 leaving a shortfall of \$55,000.

Exhibit 118/26
and Q.1000

. Deferment of Project.

284 An amount of \$70,000 was provided in the Original Estimates for the acquisition and fitting of a 7½-ton Oceanographic Winch in HMAS "KIMBELA", the Royal Australian Navy's Oceanographic research ship. However, Naval staff considerations as to the extent of the work to be undertaken in refitting the "KIMBELA" were not settled until late in the financial year and consequently acquisition of the winch was delayed. It was said that the problems involved had been apparent when the Estimates were formulated but the length of the delay in resolving them had not been foreseen.

Exhibit
118/26 and
Qs. 1001 to
1003.

. Late Placement of orders.

285 Delays occurred in the placement of eight orders due to problems in the clarification of technical requirements and in ordering and tendering procedures resulting in a shortfall

Exhibit
118/26 and
Qs. 1004 to
1013.

of \$61,000. One of the eight orders which was characteristic and representative of the other seven, related to oceanographic cables to the value of \$12,000. A request for the order was raised on 6 November, 1968 forwarded to Navy Office on 14 November and received by the Supply Division in Melbourne on 29 November. Acknowledgement of the order was made on 6 December, 1968. The witnesses representing the Department of the Navy indicated that provision for the eight orders in the Original Estimates was justified notwithstanding their many intangible aspects.

Qs. 1004 to
1013

. Lag in deliveries.

286 Orders were placed in October, 1968 and February, 1969 for data logging equipment, with delivery scheduled for 28 May, 1969. However, delivery was not effected prior to 30 June, 1969, and a shortfall of \$13,000 on estimated expenditure occurred.

Exhibit
118/26 and
Q. 1021

. Deferred payment

287 Because of the uncertainty as to where responsibility lies for the failure of installed computing equipment, payment of \$6,000 against one order was deferred on the advice of the Deputy Crown Solicitor.

Exhibit and
Q. 1022

. Dockyard services.

288 Partly because of the priority given to the HMAS "MELBOURNE" refit, and partly due to the deficiencies in the estimating capability on the part of the Laboratory, services provided to the Scientific Services Branch by the Garden Island Dockyard were \$14,000 less than had been provided for.

Exhibit
118/26 and
Q. 1023

. Lag in payments.

289 The late rendition of claims for three accounts, received at the end of the financial year, prevented payment prior to 30 June, 1969.

Exhibit 117/26
and Q. 1024.

290 In regard to Item 646 the witness admitted that the full amount of \$636,000 should not have been provided in the Original Estimates. He assured us that measures would be taken in 1969-70 to ensure the achievement of planned projects. Q. 1026

Conclusions

291 In general the evidence shows that funds were sought prematurely for this Item in 1968-69.

292 Regarding oceanographic research equipment Your Committee is disturbed by the delays that evidently occurred between February and June, 1969 before Ministerial approval was sought for this project.

293 Your Committee also notes that funds were provided, largely as a contingency element, for new scientific projects that might have been required for the Department of Supply. Your Committee does not accept that contingency provisions of this nature should be included in Original Estimates.

294 Your Committee is also disturbed by the inclusion in the Estimate of \$142,000 for expenditure on a number of research and experimental tasks allied with naval construction. It is clear that the Department was unable to assess the likely costs involved or to predict the range of expenditure likely to be involved.

295 We note the assurance given by the witness that measures will be taken within the Department to ensure the achievement of planned projects in 1968/69.

Chapter 8Postmaster-General's Department

- (1) Item 405/3/06 - Broadcasting and Television Services- Technical and other Services-Other administrative costs applicable to broadcasting and television services.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 1,610,000 | 2,123,000 | 1,982,000 |
| Appropriation Act No.3 | 21,000 | 69,000 | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 1,631,000 | 2,192,000 | 1,982,000 |
| Total Expenditure | <u>1,621,621</u> | <u>2,136,230</u> | <u>1,762,463</u> |
| Unexpended Funds Available | <u>9,379</u> | <u>55,770</u> | <u>219,537</u> |

296 This item provides for expenditure in respect of the Broadcasting and Television share of total Post Office costs chargeable to various administrative and overhead accounts together with light, power, water supply and sanitation charges of separate Broadcasting and Television installations. Specific cost items include -

- (a) Furniture and office equipment;
- (b) Capital improvements to Broadcasting and Television land and buildings performed by or under the authority of Post Office staff;
- (c) Value of telephone accounts relating to official telephones installed in private residences of Broadcasting and television technicians;
- (d) Costs arising from apportionments of total Post Office General Administration and Buildings Administration Accounts; Exhibit 118/27
- (e) Costs arising from an apportionment of total charges to the Post Office Furlough Account;
- (f) Costs arising from the apportionment of servicing costs and repair and maintenance costs incurred by Post Office staff on buildings utilized by both Post Office and Broadcasting and Television activities;
- (g) Light and power costs of separate Broadcasting and Television buildings;
- (h) Water supply and sanitation costs of separate Broadcasting and Television buildings;
- (i) Repairs and maintenance costs by Post Office staff on separate Broadcasting and Television buildings; and
- (j) Rent of buildings in Northern Territory occupied by Broadcasting staff.

297 We were informed that this Item is one in which are grouped those cost factors which cannot be isolated and allocated specifically to any particular activity. It comprises largely apportioned costs where Post Office staff are engaged in dual functions, some of their activity being for the Post Office and some of it relating to broadcasting and television. Where the labour time involved can be allocated on a man-hour basis or can otherwise be determined precisely, costs are apportioned on a time basis. In the case of such elements as accommodation or the repair and maintenance of buildings costs are apportioned on the basis of the relative staffs employed for either Post Office or broadcasting activities. Q.1033

298 It was stated that this Item has caused a good deal of concern to the Postmaster-General's Department and at the time of our inquiry that Department was exploring with the Department of the Treasury the possibility of reaching a firm fixed fee basis for each year. Under this arrangement a study would be conducted at the close of each year to determine a figure for the following year. Q.1034

299 We were informed that \$92,000 of the total shortfall in expenditure related to electricity charges in respect of the Radio Australia Booster Station at Darwin, where electricity consumption was below the anticipated level because the time table for progress of installation of transmitters fell behind schedule. In fact by December, 1968 only one of the planned three transmitters was in operation. This meant that because only one transmitter was operating instead of three and because that transmitter was operating for only about one half of its scheduled time a very substantial reduction occurred in the mains power drawn from the electric supply undertaking. The details of this Contract appear under Item 872/1/01 below. Exhibit 118/27 & 28 and Q.1035

300 A further sum of \$38,000 was unexpended as a result of accounts rendered by electricity supply authorities in New South Wales, Queensland and Tasmania being lower than expected. The Department informed us that this was due almost entirely to the Exhibit 118/27 and Q.1037

conversion to automation and the withdrawal of operating teams from the station concerned. This resulted in a substantial saving in the auxiliary power load for staff amenities as well as a saving in the incidental cost of operating a broadcasting or television station. It was stated that the problem in framing this programme arose from the fact that the Department was providing capital during the year for the conversion to automation. It was considered dangerous to diminish the operating funds during the year as it was difficult to assess the time at which the station would commence to operate automatically.

301 We were also informed that as administration and overhead costs and repairs and maintenance to buildings are assessed in relation to total costs incurred by the Post Office and charged to the Item on the basis of a formula, the benefit of lower than expected total costs in the Post Office in 1968-69 automatically gave an advantage to the broadcasting and television services. The amount involved was about \$89,000, representing the remainder of the shortfall on the Item.

Exhibit
118/27

Conclusions

302 Your Committee accepts the Department's explanation in relation to the shortfall that occurred in expenditure.

303 Your Committee notes that the Item covers a wide range of cost factors that cannot be isolated and allocated to particular activities. In these circumstances we accept that the Item has caused a good deal of concern to the Postmaster-General's Department. We trust that exploratory discussions that were in progress between that Department and the Department of the Treasury when our Public Inquiry occurred have been completed and a satisfactory solution found to the problems of cost allocation.

(41) Item 872/1/31 Capital Works and Services - Broadcasting and Television Services - Engineering Equipment and Services - Sound broadcasting.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 1,007,000 | 2,883,000 | 3,645,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 1,007,000 | 2,883,000 | 3,645,000 |
| Total Expenditure | <u>734,166</u> | <u>1,803,377</u> | <u>2,224,249</u> |
| Unexpended Funds Available | <u>272,834</u> | <u>1,079,623</u> | <u>1,420,751</u> |

304 This item provides specifically for those capital works, equipment and services relating to the Sound Broadcasting Services of the Department. Exhibit
118/28

305 The Department stated that it is a feature of the provisioning of its radio, television and broadcasting projects that, in contrast to its other provisioning activities, the equipment for each project is required for a specific installation and the ability to achieve targets of expenditure is almost completely dependent on the extent to which individual contractors meet their undertakings on delivery. It was said that this process is subject to risks of delays due to design setbacks, shortages of critical material and components and labour problems that may be experienced by contractors or their sub-contractors in this field of specialised material not in continuous production. The shortage of vital components supplied from overseas caused by diversions to the Vietnam war effort has affected some important contracts. The Department claimed that it has proved to be quite difficult to allow for such contingencies on the broadcasting and television material ordering programmes without setting unacceptably long project completion targets. Exhibit
118/28

306 It was also stated that in the provisioning of radio, television and broadcasting projects, the Department is, in fact, implementing the programme of the Australian Broadcasting Control Board. It is the Board, not the Department, which seeks to

timetable and schedule most of the approval action. It was claimed that, in past years, the Department had anticipated that Government approval would be given to the establishment of certain facilities, but for various reasons final approvals have not been obtained as expected. In respect of the financial year 1969-70, the Department has adopted the practice of not including in its programme any item for which firm approval has not been given at the commencement of the year, or for which contracts cannot be placed within a reasonable time or for which contracts are not already in existence. Any subsequent approvals would be considered for inclusion in the Additional Estimates.

Q.1091

307 Regarding the problems referred to above, the Treasury Observer, Mr. Lynch, informed us that officers of the Department of the Treasury had arranged a meeting with representatives of the Postmaster-General's Department and the Australian Broadcasting Control Board with a view to developing a two or three year forward programme to ensure, among other things, a more even spread of expenditure and a more realistic appraisal of financial requirements. He added that the forward programming that had operated until about 1967 had been adequate but the conclusion of the programme, the impetus of television development and the re-locating of some broadcasting stations had made planning difficult.

Q.1094

308 The main projects on which a shortfall in expenditure occurred, were the Darwin High Frequency Booster Station, re-location of the National Station at Naracoorte, 2NR Grafton and Radio Australia, Shepparton.

. Darwin High Frequency Booster Station

309 The Darwin booster station project was approved by the Government during 1960 as the most effective method of increasing the strength of the Radio Australia transmissions to the South-East Asia area. The station was planned to operate on power of 100 kilowatts but in June, 1961 the Government agreed to proposals to increase the power to at least 200 K.W. to compete with the power increases of other transmissions in the area.

Exhibit
118/28

310 It was claimed that when completed the station will be the highest powered broadcasting station in Australia and will be comparable in physical size and radiated power with high power short-wave stations in other parts of the world.

Exhibit
118/28

311 Several advanced and novel features of the project were said to include:

- (a) a requirement for separate transmitting and receiving stations to be established as close to one another as possible but with special aerial designs to avoid "feedback" from the transmitting station to the receiving station.
- (b) the use of highly automated 250 K.W. transmitters using processor control computer systems for the first time in the world at a high frequency station.
- (c) the use of a unique broadband high gain aerial system of the vertically polarized logarithmically periodic type and to be used for the first time in the world at power levels of 250 and 500 K.W.

Exhibit
118/28 and
Qs. 1044 to
1052.

312 The two major contracts for the supply of radio equipment were let with Collins Radio Coy.(Aust).Pty.Ltd and R.C.A. of Australia Pty.Ltd. An amount of \$2,700,000 was included in the 1968-69 Budget for the completion of these contracts, installation of the equipment and for the purchase of ancillary items. The scheduled completion date for the whole project was December, 1968. The Collins contract was for the supply transmitter equipment to be installed by the Department under the direction of Collins Radio Company Engineers. Delivery fell well behind schedule due chiefly to priority orders by the United States Government on Collins Radio for components for use in war areas. Technical reasons, including a decision to undertake certain testing in the factory rather than in the field, also contributed to the delay.

Exhibit
118/28

313 In elaborating on these delays the witness informed us that originally it had been hoped that three transmitters would be supplied and installed by the Collins Company. However, the original contract covered only the supply of the transmitters. The design of other parts of the station was not complete. It was

thought to be an error in timing to give the installation work to the transmitter contractors. By the time the aerial designs and methods of operating the station became known, a second tender was sought for the installation of transmitters. The price quoted by the contractor however was considered to be excessive so a decision was made to install the transmitters using Post Office staff with a payment to the contractor for engineers to oversight the installation and to take part in the commissioning. Q.1053

314 Following that decision and a visit by an Australian Post Office engineer to the company's headquarters in the United States of America it was considered desirable to have the contractor assemble each of the three transmitters as a complete unit and demonstrate their performance in the works rather than have a collection of parts arrive in Australia for the Post Office to install. It was recognised that if installation were undertaken locally, the contractor could claim that installation had been inadequate if the performance of the transmitters proved to be sub-standard. A decision was therefore reached for all of the equipment, including the computer control assembly to be fully assembled, fired up and demonstrated in the United States of America. It was said that this took longer than had been promised by the contractor. Q.1053

315 Delivery dates were amended with the agreement of the contractor. The amended and actual delivery dates are shown hereunder: Exhibit 118/28

| | <u>Contract Date</u> | <u>Delivery Date</u> |
|------------------------------|----------------------|------------------------|
| Transmitter No.1-Ex - U.S.A. | 15 October, 1967 | Ex-U.S.A. 15 Jan. 1968 |
| " No.2-Delivery to Darwin | 4 June, 1968 | Completed 14 Oct. 1968 |
| " No.3-Delivery to Darwin | 11 October, 1968 | 14 October, 1968 |

316 We were informed that during commissioning the first transmitter installed was quite incapable of giving the performance it had given in America and this was blamed on the environment and other factors. Several modifications were required. By December 1968 most of the problems had been overcome and acceptance tests were commenced. Exhibit 118/28 and Qs. 1054 to 1056

317 As at 30 June, 1969 the outstanding contract liability was \$120,000. In addition contracts to the extent of \$70,000 to provide for spares and training courses for departmental staff had not been completed. We were informed that changes in these requirements were made after the commissioning had been completed. An amount of \$200,000 was also included in the Estimate to provide for the proposed purchase of ancillary hard-ware equipment for the computer control equipment. This equipment was considered to be essential when the estimate was prepared but subsequent changes in specifications to provide the facility by alternative means made it possible to delete some requirements.

Exhibit
118 /28
and Q, 1057.

318 We were informed that R.C.A. of Australia Pty.Ltd. contracted to supply the antennae system for the project. Technical problems in the initial stages caused delays in the manufacture of the antennae and the company was inconvenienced by the delays in the completion of the transmitters and the supply of radio power for full-power testing of the antennae equipment. Testing of the first aerial which had been delivered from Italy began in August, 1968. The aerial, however, was unable to withstand a power level of 250 kilowatts, much less the power level of 500 kilowatts required. This involved a complete review of the electrical design, a process which took six months to complete. We were informed that, at the time of our inquiry, the company had commenced to manufacture new component parts. It was hoped to have three aerials in full operation by December, 1968 and the remaining two in operation by June, 1969.

Exhibit
118/28 and
Qs. 1060 and
1061.

319 It was stated that an amount of \$521,000 was still outstanding on this contract at 30 June, 1969 and an amount of \$200,000 which was included in the 1968/69 estimates to cover penalties and anticipated cost increases had been carried over to the 1970/71 financial year. In addition, amounts totalling \$100,000 for Departmental (Post Office) work, which was contingent upon progress being made by the main contractors, had been carried over to 1969/70. A summary of the underexpenditures on the Darwin project in 1968/69 is as follows:

Exhibit
118/28

| | |
|--|--------------------|
| Collins Radio Coy. contract liability as at 30.6.69- | \$120,000 |
| Collins Radio Coy. contract extensions | - \$ 70,000 |
| Deletion of ancillary equipment | - 3200,000 |
| R.C.A. contract liability as at 30.6.69 | - 3521,000 |
| Expected penalties and cost increases | - 3200,000 |
| Departmental installation costs | - 3100,000 |
| | <u>\$1,211,000</u> |

320 We were informed that the completion of the installation, testing and commissioning of all technical plant at the station has been seriously impeded by weather conditions which have been unusually severe. The environment on Cox Peninsula was expected to present difficulties to both the Department of Works and the Postmaster-General's Department when the project was planned, but the recorded rainfall in each of the three wet seasons of the installation period has been higher than average.

Exhibit
118/28

. Naracoorte - Re-location of National Station

321 We were informed that the Estimates for 1968/69 included \$160,000 for the re-location of the national station 5PA Naracoorte in South Australia. It was stated that increasing the power of sound and Q.1062 broadcasting stations or changing their locations must be carried out without causing harmful interference to other stations in Australia or in New Zealand.

Exhibit
118/28
Q.1062

322 Early in 1968/69 the Australian Broadcasting Control Board made changes in the equipment specifications for the Naracoorte station to provide for a special pattern of directional aerial which would give coverage in the area required in the south east area of South Australia without causing interference. These changes caused delays in the ordering of equipment.

Exhibit
118/28
and Q.1062

323 Having regard to the urgent need to make the change and believing that satisfactory supply could be arranged for both the transmitter and mast, the Post Office proceeded with the project in the 1968-69 programme. Contracts totalling \$96,447 were placed for the transmitting equipment and mast with Australian suppliers on the basis of delivery dates of 30 April and 21 May respectively.

Exhibit
118/28
Q.1063

At 30 June, however, equipment to the value of \$26,011 only had been delivered, resulting in a shortfall of about \$90,000 in expenditure. It was stated that the transmitter manufacturer had claimed delays in the supply of components by sub-contractors, a point which the Department regarded as having some validity.

2-NR Grafton

324 An amount of \$30,000 was provided in the 1968-69 Estimates to provide for re-guying the mast at 2-NR Grafton. This work was deferred to 1969-70 however, due to an acute shortage of departmental specialised labour in New South Wales.

Exhibit
110/28 and
Q.1072

. Radio Australia - Shepparton.

325 We were informed that prior to the framing of the 1968-69 programme negotiations took place between the Department and an Australian supplier for the supply of two 10 kilowatt transmitters for use at Shepparton. At that stage the Australian supplier had accepted an overseas order for 10 Kilowatt transmitters and it was hoped that the requirement for Shepparton could be included in the production run for the overseas contract.

Exhibit
115/28 and
Q.1073

326 An amount of \$90,000 was included in the Estimate for 1968-69 and a contract for the two transmitters was placed in November 1968 for delivery in April, 1969. The witness informed us that, at that time, the local supplier had convinced the Department that delivery would be achieved in April. Because of this the Department made special arrangements to process the order. Early in 1969, however, an inspection of the work in progress showed that the supplier was behind schedule on both his Australian and overseas orders. Notwithstanding pressure for delivery applied by the Department, the equipment was not delivered. It was claimed that the issue of an order for the equipment prior to November, 1968 could not have influenced the completion date which was dependent upon the satisfactory conclusion of the first run for the overseas equipment.

Exhibit
118 /28
and Qs. 1076 to
1081.

Conclusions

327 Your Committee notes that in the provisioning of radio, television and broadcasting projects the Postmaster-General's Department is, in fact, implementing the programme of the Australian Broadcasting Control Board. It is the Board, not the Department that seeks to timetable and schedule most of the approval action required for the programme.

328 In these circumstances Your Committee is disturbed to learn that in recent years the Department has evidently formulated its work programme for this Item in anticipation of Government approval to the establishment of certain facilities. We also note that, commencing in 1969-70 the Department has adopted the practice of not including in its Original Estimate any item for which firm approval has not been given at the commencement of the year, or for which contracts cannot be placed within a reasonable time or for which contracts are not already in existence. We believe the Department should have pursued this course earlier.

329 Your Committee also notes with concern that the forward programming that operated until about 1967 had evidently not been maintained in subsequent years. We endorse the action taken by the Department of the Treasury in arranging a meeting with the representatives of the Postmaster-General's Department and the Australian Broadcasting Control Board to develop a two or three year forward programme. We agree that such a programme should ensure a more even spread of expenditure and a more realistic appraisal of financial requirements.

(111) Item 872/1/02 -Broadcasting and Television Services, Capital Works and Services-Engineering Equipment and Services-Television.

| Available Funds | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|----------------|------------------|
| Appropriation Act No.2 | 1,455,000 | 730,000 | 1,224,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>1,455,000</u> | <u>730,000</u> | <u>1,224,000</u> |
| Total Expenditure | <u>1,449,190</u> | <u>708,965</u> | <u>929,291</u> |
| Unexpended Funds Available | <u>5,810</u> | <u>21,035</u> | <u>294,609</u> |

330 The purpose of this item is to provide for the cost of capital items for television transmission.

331 This item operates in a manner similar to that of the previous Item, 872/1/01; both Items relating to Capital Works and Services, while Item 872/1/01 relates to sound broadcasting, Item 872/1/02 relates to television. It was explained that the two Items Exhibit 118/29 are subject to the same basic considerations of provisioning, details of which have been set out in connection with Item 872/1/01.

332 The main projects on which a shortfall in expenditure occurred were translator stations at Moruya, Murrumbidgee, Hill and Bordertown and a transmitter at Geraldton. Most of the translator stations comprise a single installation with national and commercial services operating in the same building.

Exhibit
118/29
and 1099

. Moruya Translator Station

333 An amount of \$30,000 was included in the 1968/69 Estimate to install a Translator Station at Moruya in New South Wales. Contracts to the value of \$25,000 were placed for delivery in March, 1969.

334 We were informed that early in 1968 the Department opened negotiations with the licensee of the commercial service at Wollongong who was to be given the licence for a commercial translator at Moruya. The commercial operator desired to commence operating ahead of the

Exhibit
118/29 and
Q. 1099

national service in May 1969. An agreement was reached so that he could proceed with the development of the site which he had already acquired, and the provision of a building in which the national equipment provided by the Post Office would be used later. It was also agreed that to enable him to commence early operations, the commercial operator would provide a central temporary aerial system.

335 Late in 1968, however, the commercial licensee intimated that the conditions of sharing the proportion of the capital costs of the installation and the basis on which the operating charges were to be shared, were not attractive. It appeared to the Department that the sharing arrangement would not prove viable and that it would need to proceed with a separate national service. It was not until about March, 1969 that this question was settled and the Department commenced to erect what was, in effect, a national station, on what had been a commercial station site. Consequently the delivery and installation of equipment was delayed causing a shortfall of \$25,000 in expenditures.

Exhibit
118/29 and
Q.1099

. Myrtleford Transmitter Station

336 \$40,000 was included in the Estimates for this project which involved an intermediate repeater site at Mt. Stanley and the final translator site at Tower Hill. We were informed that the latter site is occupied by the State Electricity Commission of Victoria, who, in early negotiations, offered to accommodate the Department's National Television relay facilities at this site in a new building and on a radio tower that the Commission expected would be completed early in 1969.

Exhibit
118/29

337 The arrangement offered by the Electricity Commission was accepted by the Department. It was stated however that due to a default by the Commission's contractor, the building and tower did not become available for occupation until July, 1969. Consequently installation of the Myrtleford television service could not proceed.

In view of the substantial cost to the Department of making alternative arrangements and the likelihood of greater delays in completing the project, it was decided to await the completion of the Commission's facilities.

Exhibit
118/29

. Nhill Translator Station and Geraldton Transmitter

338 The Nhill Translator station was programmed for construction in 1968/69 at a cost of \$120,000. Service was to have been provided by a microwave link to a 500 watt transmitter at Nhill. A letter of acceptance was issued on 18 July, 1968 for the supply of the transmitter from an Australian tenderer. However, on 24 July, 1968 the tenderer declined to enter into contract and it was subsequently withdrawn. After considerable negotiation contracts were placed with overseas suppliers for the major items of equipment on 25 September and 20 November, 1968. In view of the delays in establishing the new source of supply, deliveries did not commence until late in June, 1969. As a result a shortfall of \$55,000 occurred in expenditure.

Exhibit
118/29 and
Q. 1121

339 The Geraldton transmitter was programmed for completion in 1968/69 at a cost of \$254,000. As in the case of the Nhill translator, the Australian tenderer who had been selected originally declined finally to enter into a contract. The equipment involved was identical to that required at Nhill and was covered by the same tender schedule. Several months elapsed before a contract with the same overseas supplier was placed on the 5 December, 1968, delivery being promised before early June, 1969. However this material was not delivered by the end of the financial year, and together with installation costs and ancillary items of equipment resulted in a shortfall of \$125,000 in expenditure.

Exhibit
118/29

340 Regarding the withdrawal of the local tender for Nhill and Geraldton the Department explained that the Australian Company concerned had supplied most of the transmitters for both the national and commercial services offered-against overseas bids - to develop in Australia a 500 watt transmitter. The Post Office accepted this

Company's tender as it was fairly competitive in price and as it was desirable to have an Australian company. Also, having regard to the past history of the Company, there was no reason to believe that it would not meet its obligations in this instance. According to the Department, the Company's failure to accept the contract followed an examination of its commitments with other Departments and took into account the possible introduction of colour television. It concluded that it could not devote sufficient engineering time to the development of the 500 watt transmitter. The Department subsequently accepted the cancellation of the order and proceeded to order from Japan the relevant contracts being placed on 25 September and 20 November in the case of Nhill and 5 December for Geraldton.

Qs. 1104 to
1106

341 We were informed that an unfortunate feature of this case was that the Department had taken the company into its confidence to a certain extent in the letting of contracts some twelve or eighteen months previously. The Department had disclosed the pattern of technical development that would occur in television. It is a feature of tenders received by the Department that, because of a fairly lengthy processing time for technical-type items, a very high percentage of tenders are submitted subject to confirmation at the date of placing the order. This leaves the way open to a tenderer to subsequently vary his prices or to withdraw his tender. Although penalty clauses are included in large order contracts, a penalty clause was not included in the present case. It was stated that, at the time of our inquiry the whole question of purchasing tendering and contract procedure in the Department was under discussion with the Auditor-General's Office and a steering Committee had been established to examine all aspects of contracting with particular reference to the legal conditions and the enforceability of contracts.

Qs. 1107
to 1109

. Bordertown Translator Station

342 \$46,000 was included in the Estimate to cover this project. The contract was placed on 22 September, 1968 with a Japanese supplier for delivery on 31 March, 1969. During February, 1969 the company

Exhibit
118/29 and
Q. 1117

reported that it could meet its delivery date but by the end of March the equipment had not been delivered and attempts were made to arrange a special airfreight. Even so the company was unable to make delivery.

Conclusions

343 Your Committee notes that this Item operates in a manner similar to that of the previous Item 872/1/01. Accordingly our conclusions relating to that Item apply also to Item 872/1/02.

344 In the case of this Item, however, Your Committee would invite attention to the evidence submitted in connection with the Nhill and Geraldton projects. We are disturbed by the fact that the Department had taken the company concerned into its confidence by disclosing the pattern of technical development that would occur in television. We believe that no company which tenders for contracts should enjoy an advantage over its competitors arising from confidences of this

345 Your Committee also notes that, late in 1969, the whole question of purchasing, tendering and contract procedure in the Department was under discussion with the Auditor-General's Office. A steering Committee had also been established to examine all aspects of contracting with particular reference to the legal conditions and the enforceability of contracts. We shall be interested to learn in due course of the results of this review.

Chapter 2
Prime Minister's Department

- (1) Item 430/5/05 - Administrative-Assistance to the Arts-Music-Assistance to Australian Composers.

| Funds Available | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | <u>£</u> | <u>£</u> | <u>£</u> |
| Appropriation Act No.1 | 10,000* | 10,000 | 20,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>10,000</u> | <u>10,000</u> | <u>20,000</u> |
| Total Expenditure | <u>-</u> | <u>3,995</u> | <u>11,442</u> |
| Unexpended Available Funds | <u>10,000</u> | <u>6,005</u> | <u>8,558</u> |

* Provided for first time in Appropriation Act No.2 in 1966/67.

346 This Item provides for Commonwealth aid to assist any project which will facilitate the performance of Australian serious music composition and to promote a better understanding of Australian music. Recommendations are made to the Government by an Advisory Board. Exhibit 118/30

. Production of Music Survey No.1

347 The major area of expenditure in this Item was for the completion of the production of Music Survey No.1 which had been commenced and provided for in 1967-68. The survey includes a history of the development of music in Australia translated into French and German; a catalogue containing the names of all Australian composers and a general bibliography and a discography; a recorded talk by ten selected composers and a printed text of each talk including French and German translations. Exhibit 118/30

348 The Department informed us that the services of Dr. McCredie a noted musician, were retained to complete the catalogue, bibliography and discography. Subsequently the Senior Lecturer in Music at an Australian university was engaged to edit the written material, write the history, provide the German and French translations and supervise lay-out and printing. In August, 1968, the Advisory Board considered that the survey would be completed by December of Exhibit 118/30

that year.

349 We were informed that when the Editor was appointed, the Advisory Board was not aware that he proposed to travel overseas on sabbatical leave. However, the editor departed overseas for that purpose in November, 1968. As a result, the edited text of the catalogue, bibliography and discography and the text of the history were not received from the editor, until February, 1969. Also it was necessary to resolve the final layout of the publications without the expert advice of the editor. This increased the time required before submission of material to the printer. In addition, it was necessary for the printers' proofs to be forwarded to the editor in Britain for final checking.

Exhibit
118/30
Qs. 1140 and
1141

350 It was stated that during May and June, 1969 Dr. McCredie found, as a result of further research, that changes were necessary to ensure the accuracy of the printed material. Some of the recordings of talks by the ten composers were defective due to technical faults and needed recording afresh.

Exhibit
118/30
Q. 1142.

351 The Department stated that as a result of these delays the printer was unable to complete his work in time for payment to be made prior to 30 June and a shortfall of \$5,267 occurred in expenditure. The witness explained that this project was the first of its type attempted in Australia or overseas. It had necessitated a considerable amount of original research. When it first contemplated the project, the Advisory Board had not envisaged that so much time would be involved.

Exhibit
118/30 and
Q. 1142

. Copying of Scores to Promote Australian Composers.

352 The Department informed us that the purpose of this project was to copy the original scores of Australian composers and lend them to Institutions and individuals to encourage performances of the music. The project could not be made operational as early in the financial year as planned because of the time taken to obtain scores from composers and for the Board to select those for copying was

longer than anticipated. The witness explained that in April, 1969 the Board made its selection of scores to be purchased. The various composers were then approached and asked if they agreed with the Board purchasing these scores for the purpose for which they were required. After having obtained the composer's reactions, the scores were purchased. This process occurred during May and June but by mid-June only a half of the purchases had been completed in time for payment at 30 June. As a result, £1,758 remained unspent as at that date.

Exhibit
118/30 and
Q. 1153

. Purchase of Scores of Australian Composers for Music Survey No.2
353 \$3,200 was provided for these purchases in 1968-69. We were informed that in view of the difficulties encountered by the Advisory Board in acquiring scores for composers included in the first Music Survey, the Board decided in April, 1969 to purchase copies of selected scores for inclusion in the second Music Survey. Enquiries concerning selected scores were made during May but some of these were found to be unavailable. Finally some scores were referred back to the Advisory Board late in June for alternative selections. Of the \$3,200 provided for this purpose, \$964 only had been paid by 30 June 1969, leaving an expenditure shortfall of \$2,236.

Exhibit
118/30 and
Qs. 1154 and
1155

. Special Grants
354 The gross shortfall of \$9,361 on this item was reduced to \$8,461 by two grants made during the year. One grant for \$400 was made to Dr. McCredie for research into the music of Alfred Hill, the centenary of whose birth was imminent. The other grant for \$500 was made to the Australian Society for Music Education to commission three compositions from Australian composers to be performed during the annual conference of the A.S.M.E. to be held in conjunction with a UNESCO seminar in Brisbane in August, 1969.

Exhibit
118/30

Conclusions

355 Your Committee examined the Prime Minister's Department in respect of this Item in its inquiry into Expenditure from the Consolidated Revenue Fund for 1967-68. At that stage the Commonwealth scheme for assistance to Australian composers was in its first full year of operation. In its Report Your Committee concluded that the amount of \$10,000 provided in 1966-67 had been sought prematurely but it accepted the Department's explanation concerning the shortfall of \$6,005 that occurred in expenditure in 1967-68. During that inquiry Your Committee noted that \$20,000 had been provided in the Estimates for the Item for 1968-69. Of that amount \$10,000 had been sought for the costs of surveys commenced in 1967-68 and the remaining \$10,000 had been provided in accordance with the original directions of Cabinet.

P.P.No.219
of 1968.

356 On the evidence submitted in the present inquiry Your Committee recognises the difficulties inherent in the nature of the work contemplated under this Item and for this reason believes that the Department would be well advised to frame its Original Estimates somewhat conservatively until such time as greater experience has been obtained in the work involved.

357 A particular facet of the evidence to which we feel attention should be drawn, relates to the appointment of an Editor in connection with Music Survey No.1 which had been commenced and provided for in 1967-68 but not completed in that year. Your Committee believes that before making that appointment, the Advisory Board should have satisfied itself that the Editor would be available in Australia to carry out his work. His absence overseas on sabbatical leave delayed the editing of the text of the catalogue, bibliography and discography and the history material. His absence also impeded the solving of problems associated with the final layout of the publications and these delays evidently resulted in further delays in printing the work concerned. Your Committee regards this aspect of the matter as unsatisfactory.

- (11) Item 436/2/06 - High Commissioner's Office-United Kingdom- Administrative Expenses-Rent and maintenance, Australia House and Canberra House.

| <u>Funds Available</u> | <u>1965-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 757,600 | 824,400 | 719,900 |
| Appropriation Act No.3 | 23,800 | - | 88,400 |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>781,400</u> | <u>824,400</u> | <u>808,300</u> |
| Total Expenditure | <u>774,653</u> | <u>760,345</u> | <u>738,132</u> |
| Unexpended Available Funds | <u>6,747</u> | <u>64,055</u> | <u>70,168</u> |

358 This Item provides for the maintenance and servicing of both Australia House and Canberra House; office cleaning, window cleaning, furniture maintenance, uniforms etc., and rent for Canberra House. A programme of essential alterations and renovations to office accommodation in Australia House is being financed from the Item.

Exhibit
118/31

359 We were informed that the amount of 719,900 had been formulated by the staff at Australia House, London and based on the programme of work relating to the maintenance of Australia House and Canberra House. Requests for work are submitted each year to the Buildings and Office Services Branch and an assessment is made based on priorities of the work that can be undertaken during the ensuing financial year.

Q.1157

360 In December and January each year a committee comprising the Assistant Official Secretary, the finance officer and the officer-in-charge of the Buildings and Office Service Branch examines the programme in relation to the need for further funds in the Additional Estimates.

Qs. 1158
and 1194

361 We were informed that in 1968-69 a further \$88,400 was sought in the Additional Estimates. Of this amount, \$83,000 was required for a broad programme of work that had been under consideration for several years. This programme was designed to improve the standard of office accommodation at Australia House which had been the subject of criticism. Q.1158

362 Regarding the additional programme for \$83,000 we were informed that a shortfall of \$28,678 in expenditure occurred. It was said that there had been dissatisfaction with the standard of some of the partitioning and painting work in office areas that had been occupied in March, 1969. These faults had not been corrected by the close of the financial year and 15 per cent of the contract amount was withheld. The nature of this problem was not discovered by the Prime Minister's Department in Canberra until it made inquiries concerning the shortfall in expenditure on the Item.

Exhibit
118/31 and
Qs. 1159 to
1162.

363 Also, the Contract let in March, 1969, for works in certain areas included a provisional figure for a new type of heating system. When the tenders for this equipment were received the figure exceeded the amount provided. It was therefore decided to re-invite tenders for the heating on the basis of orthodox panel radiators but this involved an extension of the completion date and reduced the contract payments made in 1968-69 by 30 per cent. A further element in the shortfall arose from the fact that as consultants were responsible for the supervision of this work payment of their fees was curtailed because work was incomplete.

Exhibit
118/31 and Qs.
1169 to 1175
and Committee
File 1969/4

364 We were informed that \$12,900 had been included in the Original Estimates to provide for the reconstruction and modernisation of a number of toilets in Australia House. Preparation of preliminary drawings and specifications was commenced in June, 1968 by the Buildings and Office Services Branch. Progress on the work was seriously interrupted during the year by the diversion of staff of the Branch to meet urgent unforeseen requirements and their

Exhibit
118/31 Qs.
1175 to 1180
and Committee
File 1969/4

involvement in the major works at Australia House and the Regional Offices.

365 A consultant was engaged in May, 1969 when it became evident that the Buildings and Office Services Branch could not complete their part of the work. When the Additional Estimates were being prepared it was expected that the work would have been completed by the end of the financial year. We were informed that a review of the Buildings and Office Services Branch was in progress to ensure that in future, adequate steps are taken to let contracts at an early date for the work programmed for the financial year.

Exhibit
118/31
1175 to 1180
and Committee
File 1969/4

366 An amount of \$8,600 was provided in the original Estimates for the repainting of offices, staircases, and lift lobbies in Canberra House. The specifications for this work were prepared by the Buildings and Office Services Branch in November, 1968 and quotations were obtained in January, 1969. These were considerably in excess of the funds available and further tenders were invited on 18 April. The contract was let on 9 May on the basis of a completion date of 7 June. We were informed that all but one of the jobs under the contract were completed and paid for during 1968-69. In spite of overtime the Contractor was unable to complete the painting of certain areas in Canberra House and full payment could not be made. An amount of \$6,535 remained unexpended at 30 June, 1969.

Exhibit
118/31
1202 to 1209
and Committee
File 1969/4

367 \$78,150 was provided in the Original Estimate for office and window cleaning in Australia House and Canberra House. The contract concerned specifies the manner and frequency of cleaning and we were informed that each deficiency in performance is drawn to the notice of the contractor and if these are not rectified immediately, certification of satisfactory performance is not given when the account for a particular period is received. As the work had not been completed in accordance with the contract, an amount of \$5,431 was withheld from payment.

Exhibit
118/31
Qs. 1192 to
1194 and
Committee File
1969/4

368 \$21,300 was provided in the Original Estimates for building supplies and materials ordered for the Buildings Branch of the High Commission. These were ordered in the latter part of the financial year but materials to the value of \$2,760 were not delivered before the closing of accounts. It was not until May, 1969 that the Buildings and Office Services Branch discovered that the allocation for building supplies and materials would be underspent.

Exhibit
118/31.Q.1195
and Committee
File 1969/4

369 We were informed that \$2,199 was provided in the Additional Estimates for the re-arrangement of some of the partitioning in the Migration Branch, Canberra House. Following the receipt of advice at the end of March that approval had been given for the proposal, a contract was arranged. However, it was only possible for the necessary material to be delivered to the site by 19 June 1969, so the work could not be completed and paid for before the end of the financial year.

Exhibit
118/31

370 Of a total provision of \$16,200 for general maintenance, \$2001 remained unexpended. This was said to have been due mainly to the non-completion of repairs to the glass roof and ceiling lights in the Main Hall of Australia House. To avoid inconvenience to visitors certain phases of the maintenance could not be carried out during normal working hours and, despite working at weekends, the repairs were not completed until early July. It was further explained that work on the glass roof had not been scheduled in the Original Estimate of \$16,200. This element of general maintenance does not provide for any specific works and the figure was based on the previous year's expenditure in the knowledge that there would be a considerable amount of minor, unforeseen repair work in buildings such as Australia House and Canberra House.

Exhibit
118/31, Qs. 1196-
1199 and
Committee File
1969/4

371 An amount of \$6,450 was provided for a contract for marble maintenance in Australia House. Due to interruptions to the work in areas where official functions were held this work could not be completed by the scheduled date and \$1,786 remained unexpended as at 30 June.

Exhibit
118/31

372 \$12,730 was provided in 1968-69 for the maintenance of lifts and boilers. Following a consultant's report, approval was given late in April for the replacement of the boilers and as a result the normal post-winter maintenance was not carried out. This resulted in a shortfall of \$802 in expenditure. A further shortfall of \$972 occurred in relation to lift maintenance. We were informed that the particular account was received in April but, as it was in excess of the quarterly contract price it was referred back to the contractor. He was asked on several occasions to justify the increase but his explanation, which indicated that the variation was due to wage increases that were permissible under the contract, was not received until mid-June, too late for payment.

Exhibit
118/31 Q.1200
and Committee
File 1969/4

373 We were informed that while work in relation to the reconstruction programme was taking place on the ground floor of Australia House, window displays were curtailed. This resulted in expenditure being \$1,094 below the provision of \$3,255. The remaining shortfall of \$5,022 in expenditure consisted of various smaller items including shelving in Canberra House; the relining of curtains in the Main Hall, Australia House; and furniture and safe removals etc., connected with the office reconstruction programme and postponed because with the office reconstruction programme and postponed because of the non-completion of some of the work as programmed.

Exhibit
118/31

Conclusions

374 In connection with the additional programme of \$83,000 provided in the Additional Estimates Your Committee notes with concern that the nature of the problems that gave rise to a shortfall of \$28,678 were not known to the Prime Minister's Department in Canberra until it made inquiries concerning the shortfall in expenditure under this Item. Your Committee believes that while expenditure under the Item is administered in London, the Department in Canberra has a responsibility to ensure that it is kept properly and regularly informed of changes that occur and affect expenditure levels. Without such information the Department is unable to apply objective judgements to estimates formulated overseas and to other administrative problems that might arise.

375 Your Committee also notes with concern that while the preparation of preliminary drawings and specifications associated with the reconstruction and modernisation of toilets at Australia House was commenced by the Buildings and Office Services Branch in June 1968. It was not until May, 1969 that it became apparent that the Branch could not complete its work in this area. Moreover, while \$21,300 was provided in the Original Estimates for building supplies and materials for the Buildings Branch, orders were not placed until the latter part of the financial year. It was not until May, 1969 that the Branch discovered that the allocation for building supplies and materials would be underspent.

376 In these circumstances we regard as fully justified the review that has been initiated into the Buildings and Office Services Branch to ensure that in future, adequate steps are taken to let contracts at an early date for the work programmed for the financial year. We trust that the review will result in a substantial improvement in the work of the Branch.

- (111) Item 438/1/01 - Commonwealth Archives Office-Salaries and Payments in the nature of Salary-Salaries and allowances.

| <u>Funds Available</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|-----------------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 221,700 | 258,300 | 271,800 |
| Appropriation Act No.3 | 8,500 | 7,200 | 9,000 |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 230,200 | 265,500 | 280,800 |
| Total Expenditure | 219,928 | 249,109 | 265,128 |
| Unexpended available Funds | 10,272 | 16,391 | 15,672 |

377 The salaries and allowances of the officers and employees of the Commonwealth Archives Office are met from this Item. Exhibit 118/32

378 We were informed that in September, 1968 a major re-organisation of the Central Office of the Commonwealth Archives Office was approved, including the creation of some twenty-nine new positions. When the Additional Estimates were prepared, difficulty had already been experienced in recruiting people with the necessary technical qualifications and experience and provision was made accordingly for ten only of these positions to be filled in the latter part of the financial year. However, three of the ten positions were not filled at all and some of the remaining positions were occupied for shorter periods than anticipated. Exhibit 118/32 and Q.1216

379 It was stated that provision was made in the Additional Estimates for five additional staff to fill new positions created in October, 1968 in the New South Wales Branch of the Archives Office; \$3,000 payment in lieu of furlough and recreation leave to the widow of a deceased officer and for increases arising from the total wage case. Exhibit 118/32

380 We were informed that the amount of \$3,000 was paid to the widow in November, 1968. However, the officer compiling the Additional Estimates overlooked this fact and included the amount concerned in the request for additional funds. The same officer

also failed to take into account that increases arising from the total wage case had been paid and included a provision for this element in the Additional Estimates. These two elements involved an excess provision of \$4,675. The errors were not discovered until additional funds had been sought from the Department of the Treasury. The Prime Minister's Department drew the attention of the Chief Archivist to these errors. The Chief Archivist has introduced additional monthly checks on all sub-items of expenditure. The errors were also drawn to the attention of the officer concerned.

Exhibit
118/32 and
Gs. 1278 to
1222

381 We were informed that a shortfall of \$2,400 in expenditure arose from staff losses through promotions to other departments, resignations and the death of the Officer-in-Charge of the South Australian Branch of the Archives Office.

Exhibit
118/32

Conclusions

382 Your Committee accepts the Department's explanation in relation to the staffing problems that contributed to the shortfall of \$15,672 in expenditure.

383 However, Your Committee notes that, due to a clerical oversight \$4,675 was sought unnecessarily in the Additional Estimates. We note the action taken in this case and trust that errors of this type will not be repeated.

Chapter 10
Department of Supply

- (1) Division 720/2/02 - Administrative-Administrative Expenses-Office
requisites and equipment, stationery and printing.

| <u>Available Funds</u> | <u>1966-67 *</u> | <u>1967-68 *</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 219,000 | 372,000 | 500,000 |
| Appropriation Act No.3 | 24,000 | 54,000 | - |
| Advance to the Treasurer | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Funds Available | 243,000 | 426,000 | 500,000 |
| Total Expenditure | <u>239,037</u> | <u>422,199</u> | <u>421,660</u> |
| Unexpended Available Funds | <u>3,963</u> | <u>3,801</u> | <u>78,340</u> |

Provided under Division 763/2/02 in 1966-67 and 1967-68.

384 This Item provides for the costs of stationery, stencils, printing, blueprints, photostats, text books, periodicals, specifications, office machines and equipment, various consumable stores, computer hire and operating time for the Central Administration Offices of the Department located in all States (excluding Northern Territory) and at Overseas Posts. Exhibit
118/33

385 In developing the Original Estimate for this item each regional office and central office Branch prepares a draft estimate for submission to the Central Office Finance Branch for collation and analysis. Prior to submission to the Department of the Treasury, the draft estimate is examined by the Estimates Committee of the Department of Supply, comprising divisional heads and chaired by the Permanent Head of the Department. Q.1234

386 The shortfall in expenditure of \$78,340 was said to be due to several factors including the transfer of 250 positions from Melbourne to Central Office, Canberra, in January, 1969. It was said that the impact of the initial transfer that occurred in January, 1968 had not been fully gauged when the draft estimates for 1968-69 were prepared. The main items in the shortfall were computer stationery Exhibit
118/33

\$25,000; computer services \$14,000; and text books, journals, office machines and printing requirements \$39,340.

. Computer Stationery

387 An amount of \$37,000 was provided in the Estimates for computer stationery including \$25,000 for paper supplies. The paper was not authorised for procurement until late in the year pending systems development and the definition of standards. It had been expected that the systems development and definition of standards which commenced in 1967-68, would have been completed early in 1968-69. In that year, however, the Department joined the interdepartmental committee of the defence group which has a responsibility for the development of standards for that group. As a temporary measure the Department of Supply finalised interim standards late in 1968-69 and issued an order. Arising from these delays the Department was able to use surplus stationery from the Meteorology Bureau to meet its requirements in the early part of the year.

Exhibit
118/33

Qs 1235, 1237
and Committee
File 1969/4

. Computer Services

388 Provision was made for \$14,000 in this item for computer services for the development of the Australian Defence Science and Technical Information Systems at the Weapons Research Establishment, Salisbury. Following a re-negotiation of the British-Australian joint project in July, 1968, however, the cost of the Salisbury establishment became chargeable as an Australian item although the Woomera Rocket Range continued to remain part of the joint project. During November of that year it was decided that these costs should stand as a charge to Item 729/2/02 and as a consequence the amount of \$14,000 provided under Item 720/2/02 was not required. This amount however, was held in reserve for possible unforeseen requirements that might arise from the transfer of staff early in 1969.

Exhibit 118/33
and Q.1239

. Text Books, Journals, Office Machines and Printing Requirements

389 A shortfall of \$39,340 occurred in the provision made for text books, journals, office machines, and printing requirements. The

Exhibit
118/33

shortfall was chiefly related to the needs of the two Divisions of the Victorian Region of the Department transferred to Canberra in January, 1969.

390 It was explained that following the movement of the Central Office to Canberra, a Regional Office organisation was established in Victoria. As a consequence of this move a duplication occurred in the provision of funds for some items, mainly computer stationery. Regarding the duplication in the provision of computer stationery in particular, we were informed that while the departmental computer is part of the Central Office, it is managed by the ADP Branch and is located in Victoria.

Q. 1240

Conclusions

391 On the basis of the evidence it appears to Your Committee that funds were sought prematurely in the Original Estimates for computer stationery. Regarding that stationery and certain other items it also appears that a duplication of funds occurred following the transfer of parts of the Department's administration to Canberra. While Your Committee is sympathetic regarding the problems that can arise when such transfers take place, we believe that the departments involved should ensure that errors and misunderstandings of this nature are avoided.

(41) 720/2/10 Administration-Administrative Expenses-Incidental and other expenditure.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No. 1 | 170,000 | 153,000 | 210,000 |
| Appropriation Act No. 3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>170,000</u> | <u>153,000</u> | <u>210,000</u> |
| Total Expenditure | <u>169,763</u> | <u>152,716</u> | <u>172,150</u> |
| Unexpended Available Funds | <u>237</u> | <u>284</u> | <u>37,850</u> |

392 This item provides for the costs of laundry, uniforms, legal fees, compensation payments, maintenance of office machines and accounting equipment, maintenance of the Administrative Computer located in Melbourne, public exhibitions, films and miscellaneous other expenses not charged to specific items in the sub-division for the Central Administration of the Department located in all States (excluding the Northern Territory) and at Overseas Posts. Exhibit 118 / 34

393 The item provides for those costs of an incidental nature required for the servicing of an administrative organisation. The provisions relate to routine maintenance costs in general but particularly to public relations activities of the Department. It was claimed that the forecasting of public relations expenditure is extremely difficult and that this is illustrated in the reasons for the shortfall on the item. Details of the shortfall are given in Table No. 12. Exhibit 118 / 34

Table No. 12
Department of Supply
Item 720/2/10: Shortfall on Original Estimate

| Item | Amount |
|---------------------------|---------------|
| | \$ |
| Public Exhibitions | 19,000 |
| Photographic Requirements | 3,850 |
| Legal costs | 3,000 |
| Films | 7,000 |
| Technical Data Packages | 5,000 |
| Total | <u>37,850</u> |

Exhibit
118 / 34

Source: Department of Supply.

. Public Exhibitions

394 The cost of public exhibitions planned for 1968-69 amounted to \$40,000 for eight approved projects ranging in cost from \$500 to \$10,500 each. Two relatively small projects were cancelled and a third was provided from other sources, resulting in a shortfall of \$19,000. Exhibit 118/34 and Q. 1249

395 Of the two relatively small projects, one involved an indoor display which was cancelled when it was decided that the exhibition would be held out of doors. The second was cancelled because of staff problems in the Branch responsible for staging the exhibition at the Royal Sydney Show. Q. 1249

396 The third cancellation was in connection with an exhibition related to the launching of the Australian satellite WRESAT. It had been planned that the exhibition would be shown in Brisbane, Melbourne and Adelaide during the course of the year. The exhibition was mounted in London for the Department of Immigration, and that Department requested that it remain there for an extended period. Although it was on display in London rather than Brisbane, Melbourne and Adelaide, no costs were incurred by the Department of Supply in respect of the exhibition as it was not moved during the year. Q. 1249

. Photographic Requirements

397 A shortfall of \$3,850 occurred on this element. Photographic requirements of the Public Relations Office were estimated on the basis of their provision by contract. However, the service was obtained from the News and Information Bureau, Department of the Interior at a lower cost. Exhibit 118/34

398 When the Central Office of the Department of Supply was located in Melbourne it made little use of the services of the News and Information Bureau and during that time was not aware that these services were available to it free of charge. During that time the Central Drawing Office of the Department of Supply, located at Maribyrnong, Exhibit 118/34

provided most of the photographic services for the Department and contractors were also engaged. Melbourne contractors and the Central Drawing Office of the Department of Supply, which operates under a trust account, were reimbursed for their costs. In formulating the estimate for photographic requirements the Department had wrongly assumed that the service would continue to be paid for. The Department of the Treasury Observer, Mr. Maunder, indicated that Departments would be circularised to remind them of the service available from the News and Information Bureau.

. Legal Costs

399 It was estimated that an amount of \$10,000 would be required for legal costs arising from challenges to departmental patents in electro-photography. At the time of our inquiry three actions were proceeding, two in Japan and one in the United States of America. It was said that the legal claims procedure is complex, making expenditure estimates and frequency of claims difficult to forecast. The value of claims received amounted to \$7,000 leaving a shortfall of \$3,000.

Exhibit
118/34

. Films

400 An amount of \$7,000 was provided in the Original Estimates for the updating of the film "Production for Defence". The extent of preliminary work prior to filming precluded any expenditure on the film being incurred in 1968-69. Discussions were held with film producers regarding the nature of the updating required,

Exhibit
118/34
and Qs. 1256
to 1258

401 The extent of the revision was such that serious consideration was given to whether an entirely new film should be made. It was said that while the Department had been aware of the need for preliminary discussions, the extent of the revisions suggested by the producers and the length of time involved in discussion had not been appreciated.

Qs. 1256 to
1258

. Technical Data Packages

402 A provision of \$51,000 was made for purchases of Technical

Data Packages from the United States of America for service stores to meet the needs of the Australian Services. The estimate was based on enquiries in hand at the time.

403 We were informed that the purchase of technical Data Packages is a continuing need. Should a service Department contemplate the placing of an order for a new military store from a manufacturer in the United States of America the Department of Supply obtains the technical details on behalf of the Department concerned. The data package comprises drawings and specifications required for the production of the store.

404 It was said that it is very difficult to estimate exact requirements of Technical Data Packages as the Department of Supply is unaware of possible future enquiries from service departments. In addition, the prices of data packages vary widely according to manufacturing processes and these are not known until a Letter of Offer is received from the manufacturer. During 1968-69 commitments amounting to \$4,000 were incurred leaving a shortfall of \$5,000.

Exhibit
118 /34 and
Q.1260

Conclusions

405 Regarding photographic requirements the evidence shows that provision was made in the Estimates by the Department of Supply, in ignorance of services available to it, free of charge, from the News and Information Bureau in Canberra. Your Committee is disturbed by this situation. It notes with approval, however, the assurance given by the Treasury Observer, Mr. Maunder, that departments would be circularised to remind them of the service available from the News and Information Bureau.

406 Your Committee believes that funds were sought prematurely in the Original Estimates for updating the film "Production for Defence". It appears that funds for this purpose should have been sought at a later stage following completion of the preliminary work connected with the project.

407 Similarly, the evidence shows that considerable uncertainties exist as to the technical data packages that will be required in any year by the armed service departments. In these circumstances we believe that the Department of Supply should formulate its Original Estimates for this requirement on a conservative basis and obtain further funds later in the financial year should the need arise.

(iii) 722/01 Government Factories-Maintenance of Production Capacity-
Reserve capacity maintenance.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 2,566,000 | 3,419,000 | 4,738,000 |
| Appropriation Act No.3 | 334,000 | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 2,900,000 | 3,419,000 | 4,138,000 |
| Total Expenditure | <u>2,866,428</u> | <u>2,887,699</u> | <u>2,925,188</u> |
| Unexpended Available Funds | <u>33,572</u> | <u>531,301</u> | <u>1,212,812</u> |

408 We were informed by the Department of the Treasury that the purpose of this Item, which has existed in one form or another since 1945-46, is to meet various costs incurred in the maintenance of emergency capacity in Government defence factories not covered by receipts arising from current use of that capacity.

Q.1267 and
Committee File
1969/4

409 Under present arrangements, production carried out at the factories for the armed services is charged for on the basis of quoted fixed selling prices calculated on estimated costs of production. The overhead cost elements included in the calculation of the selling prices are those considered applicable to a "normal" level of production based on current conditions as distinct from production at maximum capacity levels. Production for tooling and initial batches of new items are charged to the armed services at cost, the overhead elements being assessed on the same basis as for quoted selling prices. The charges made to Item 722/01 are the amounts not recovered as a result of the application of "normal" rates.

Q.1267
and Committee
File 1969/4

410 The Department of the Treasury informed us that in 1954 and 1958, major reviews had been conducted of the principle and method involved in the charges to be made to Item 722/01. The method in use was further scrutinised within the Treasury during the period 1961 to 1964 and again in 1965-66. The Department of the Treasury indicated that while investigations it had made had suggested that the present method of charging reserve capacity cost to Item 722/01

Q.1267 and
Committee File
1969/4

is probably not inappropriate, it proposes to review the method further in collaboration with the Department of Supply.

411 The Department of Supply stated that the main cause of the shortfall in expenditure on this Item in 1968-69 occurred at the ammunition factory at Footscray, Victoria. The factory had budgeted for a credit of \$427,000 but, in fact, received a credit of \$1,727,000.

412 It was stated that the factory's original budget provided for a production workload of 1,601,000 hours based on current and anticipated orders. However, due to the receipt of unexpected orders actual production, reached 1,710,000 hours representing an increase of 109,000 over the estimate. This production increase accounted for a reduction in Reserve Capacity valued at \$315,000.

413 It was explained that when the factory is preparing its budget it has in hand orders for certain stores but it does not have a complete knowledge of all the orders it will work on during the financial year. It must make an allowance for the fact that it will receive a large number of orders from various stores. It was claimed that the Department is unable to forecast the orders it will receive, notwithstanding that a constant liaison is maintained between the Department of Supply and the Armed Services Departments.

Q.1268

414 It was stated that in addition, the factory earned substantial profits on several large orders which had been quoted at fixed prices in earlier years. Further substantial cost reductions were effected by progressive improvements in production techniques and the installation of modern plant.

Exhibit
118/35 and
Qs. 1269 &
1270

415 We were informed that in these circumstances it has been found appropriate to offer price reductions to the Armed Services by re-estimating jobs on the basis of the newly employed techniques and plant. The witness stated that a policy relating to the re-estimation of jobs had been enunciated some years previously. The policy had not

been followed however, in 1968-69. Following the profit made in that year, however, the earlier policy has been reiterated by the Department.

Exhibit
118, 125 and
Qs. 1271 and
1274

416 The Department informed us that the credit of \$1,300,000 at the ammunition factory at Footscray was offset by minor variations amounting to approximately \$100,000 at the thirteen other establishments operating under the Item.

Conclusions

417 The evidence shows that while the ammunition factory at Footscray formulated its budget for 1968-69 on the basis of a production workload of 1,601,000 hours, actual production reached 1,710,000 hours due to the receipt of unexpected orders. In this regard Your Committee notes the claim made by the Department that it is unable to forecast the orders it will receive, notwithstanding that it maintains a constant liaison with the armed service departments. Your Committee believes that the armed service departments should provide the Department of Supply with the best possible forecast of orders as a basis for the formulation of estimates and that all parties concerned should ensure that highly efficient liaison is maintained regarding this matter.

418 Your Committee notes with concern that while a policy relating to the re-estimation of job costs was enunciated some years ago it had evidently not been followed in 1968-69 and it was not until substantial profits were made at the Footscray ammunition factory in that year that the policy was revived.

419 While the evidence shows that, in recent years major reviews have been conducted of the method involved in the charges to be made to this Item Your Committee notes with approval that the Department of the Treasury proposes to conduct a further review in collaboration with the Department of Supply.

(iv) 734 Central Transport Authority-Vehicles and Equipment

| <u>Available Funds</u> | <u>1966-67 *</u> | <u>1967-68 *</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 2,521,000 | 3,016,000 | 2,953,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 2,521,000 | 3,016,000 | 2,953,000 |
| Total Expenditure | <u>2,317,429</u> | <u>2,722,028</u> | <u>2,621,269</u> |
| Unexpended Available Funds | <u>203,571</u> | <u>293,972</u> | <u>331,731</u> |

* Provided under Division 776 in 1966-67 and 1967-68.

420 This item provides for the costs of the replacement of vehicles and auxiliary equipment required for the continued efficient operation of the Department of Supply transport fleet, and for additions to the fleet to meet the demands of customer departments. Exhibit 118/36

421 We were informed that early in each calendar year the Stores Q.1281 Transport Branch of the Department of Supply conducts an extensive survey in each State of its vehicles requirements and discussions are held with departments to determine their requirement for vehicles hired to them on a permanent basis. The vehicle programme is developed from this information. After its submission through the Stores and Transport Board the programme is submitted to the Minister for his approval.

422 The Department stated that the shortfall of \$331,731 on this item arose in relation to imported components, protracted negotiations, construction difficulties, and delayed deliveries. These matters are referred to below. Exhibit 118/36

. Imported Components

423 We were informed that, arising from a seaborne strike in the United States of America in February, 1969 the delivery of components for use in locally assembled International vehicles was delayed by three months. In addition, the contractor for the vehicles experienced considerable difficulty with a body-building sub-contractor on the production of some vehicles. These delays resulted in a shortfall of Exhibit 118/36 and Qs. 1284 to 1292

\$121,000 in expenditure.

. Protracted Negotiations

424 It was stated that protracted negotiations occurred between the Department of Supply and the contractor on price increases which delayed the commencement of production of eighty-nine Commer Vehicles. Only twenty-nine of these vehicles were delivered before the close of the financial year. This delay resulted in a shortfall of \$112,000 in expenditure.

Exhibit
118 /36 and
Q.1293

. Construction Problems

425 We were informed that the Department required a refrigerated semi-trailer van for use in transporting meat from Adelaide to Woomera. It was necessary for the height of the van to be restricted to permit access to the loading area at the abattoirs. This restriction presented structural problems which, in using fibre glass in lieu of sheet metal for the van body caused delays in the development stages of design. This delay resulted in a shortfall of \$15,000 in expenditure.

Exhibit
118 /36, Qs
1294 to 1296
and Committee
File 1969/4

. Delayed Deliveries

426 It was stated that a shortfall of \$84,000 in expenditure arose from the failure by contractors to meet the promised delivery dates for two Holden sedans, two Land Rovers, and twelve Bedford Trucks.

Exhibit
118/36
Q.1301 and
Committee File
1969/4

427 With respect to Holden Sedans, the contractor informed the Department of Supply that although deliveries might be late in some instances, the 218 vehicles on order would be delivered in time to allow payment to be made before the end of June.

428 The two vehicles that were not, in fact, delivered were originally due by the end of May. It was claimed that although the contractor was contacted on many occasions during May and June the original advice was not varied. In the event, one sedan was shipped from Melbourne on 25 June, 1969 to Tasmania and was not received at

Stores and Transport, Hobart, in time to effect payment. The second sedan was produced in a colour not specified and a re-scheduling of production resulted in its delivery after the end of June.

429 In the case of the two Land Rovers the contractor stated that although deliveries might be late in some instances, all of the eighty-nine vehicles on order would be delivered in time to enable payments to be made before the end of June. The two vehicles that were not delivered were due by 12 June, 1969. It was claimed that although the contractor was contacted in May and June, the delivery advice remained unchanged. One of these vehicles was of the forward control type imported from Britain. On receipt in Australia it was found that the cylinder block was cracked. The replacement block was received too late to allow delivery before the end of June. Delivery of the second vehicle was delayed because parts supplied by a sub-contractor were not received until after the end of June.

Qs.1297 to
1301 and
Committee
File 1969/4

430 In March 1969, the contractor indicated that of a total of eighteen Bedford trucks required, twelve could be expected to be delivered in time to enable payment to be made before 30 June. However, during the period from March to June the supplier informed the Department that there would be a gradual reduction in the number of vehicles which could be supplied before the end of June. In the event no vehicles were received in time to enable payment to be made in 1968-69. The contractor advised the Department that the delay in the manufacture of these trucks was due to the non-availability of chassis imported from Britain.

Qs.1297 to
1301 and
Committee
File 1969/4

Conclusions

431 It appears to Your Committee that most of the shortfall that occurred in expenditure on this Item was beyond the control of the Department. In the case of the refrigerated semi-trailer, however, the evidence suggests that funds had been sought prematurely in the Original Estimates.

432 As in the case of Item 825/1/01 administered by the Department of Education and Science, Your Committee was disturbed by the inability of the witness to supply detailed evidence in relation to several matters referred to in the Department's submission relating to this Item. We would again draw attention to memorandum 66/411 of 18 January, 1966 circulated by the Secretary, Public Service Board to all Permanent Heads. In that memorandum it was stated:

"The importance of thorough briefing of witnesses and the accuracy of departmental written submissions cannot be overestimated. It is in the interests of each Department and the Service generally, that the evidence tendered to the Public Accounts Committee is of the highest quality. It would, therefore, be appreciated if this circular could be brought to the attention of those officers in your Department who are likely to be concerned with the preparation of material for the Committee, or who may be required to appear in person at future public hearings of the Committee"

(v)* Division 737 Machinery and Plant

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|------------------|
| | \$. | \$ | \$ |
| Appropriation Act No.1 | 9,026,000 | 9,485,000 | 9,608,800 |
| Appropriation Act No.3 | - | - | .. |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | 9,026,000 | 9,485,500 | 9,608,800 |
| Total Expenditure | <u>8,748,916</u> | <u>9,167,857</u> | <u>8,060,069</u> |
| Unexpended Funds Available | 277,084 | 317,643 | 1,548,731 |

* Provided for under Divisions 771/3(Weapons Research Establishment) and 779 (Other Supply) in 1966-67 and 1967-68. In 1968-69 these appropriations were amalgamated under the current Item 737.

433 This item provides for the cost of purchase and installation of machinery, plant and equipment required in all Department of Supply Establishments, and certain specialised plant required for Defence Projects being undertaken in private industry. Exhibit 118 /37

434 Details of the main components of the shortfall of \$1,548,731 are set out below:

. Building Programme

435 We were informed that delays that occurred in the building programme of two new projects caused a deferment in associated plant and equipment expenditure. The resultant shortfall was \$434,000. Exhibit 118/37

. Replacement Equipment

436 The Department informed us that further Defence consideration of a programme for the replacement of tool making and metrology equipment delayed the placement of orders. As a result only \$20,000 of a planned \$151,000 of expenditure was brought to account in 1968-69. In elaborating on this matter, the witness referred to the acquisition of a jig grinder. He stated that initially it had been thought that this equipment did not require the approval of the Department of Defence. Subsequent to approval being given by the Minister for Supply for this equipment it was decided that the approval of the Department of Defence should be obtained. Exhibit 118/37 and G.1309

as there was a doubt as to whether the equipment represented new capacity or the replacement of existing capacity. It was decided therefore to work through the higher defence machinery and this involved the loss of extra time before an approval was obtained.

. Computer Equipment

437 An amount of \$65,000 was provided for final payments on a new computer installed in Melbourne, conditional on its satisfactory performance during its first six months of operation. Unforeseen faults occurred in the central processing unit and although these appeared to have been satisfactorily overcome, an agreement was reached with the manufacturer for a further three months of satisfactory performance. Payment of the \$65,000 was deferred to 1969-70. Exhibit 118/37 and Qs. 1306 to 1308

. Research and Development

438 We were informed that the re-negotiation of the Joint Project at Salisbury caused a decline in the Department's level of activity and a consequent review of its requirements and priorities in research and development. Exhibit 118/37 and Qs. 1310 and 1311

. New Authorisations

439 The Department stated that new authorisations in the first half of the year were less than planned and therefore fewer requirements were delivered by 30 June, 1969. In this regard the witness admitted that a failure had occurred in the Department and that, at the time of our inquiry the Department was endeavouring to ascertain the cause. It appeared, however, that the most likely cause of failure arose from a disruption in the Department with the movement to Canberra in January, 1969 of the Munitions Supply Division and the Aircraft and Guided Weapons Supply Division, both of which undertake much of the procurement work, particularly for capital equipment. Exhibit 118/37. and Q. 1312

. Delayed Deliveries

440 Promised delivery dates were not achieved by some contractors, particularly by overseas suppliers. There were delayed delivery dates in respect of a drilling and boring machine costing \$73,000; a turret lathe costing \$32,000; an automatic turret lathe costing \$78,000 and a Exhibit 118/37 and Q. 1315

horizontal boring and milling machine costing 298,000,

441 It was said that these items were progressed regularly and an assurance had been given by the suppliers that delivery would be effected in April or May. It was suggested that some of the equipment may have been delivered but failed to pass inspection tests. An assurance was given that follow-up work in the procurement of acquisitions is actively pursued by factory managers who are responsible for their own procurement. There is also a system of Central Office Control within the Department to ensure that procurement procedures are being followed. Qs. 1316 and 1317

Conclusions

442 Regarding replacement equipment, the submission tendered by the Department stated that further defence consideration for the replacement of tool making and metrology equipment had delayed the placement of orders. When the witness was examined on this matter, however, it became apparent that the cause of the delay originated within the Department of Supply. There are two remarks in relation to this matter which Your Committee desires to make. First, the question of whether or not Defence Department approval was required for the acquisition of the relevant equipment should have been settled by the Department of Supply at an early stage. Secondly, the reference to this matter in the Department's submission is inadequate in that it failed to disclose the reasons for the delay and could, in itself, have led to the conclusion that the cause of the delay originated in the Department of Defence. In these circumstances Your Committee would again draw attention to memorandum 66/411 of 18 January, 1966, circulated by the Public Service Board. This circular was referred to in some detail in connection with the previous item.

443 Your Committee would also invite attention to the evidence submitted in respect of new authorisations. While the witness admitted that a failure had occurred in the Department the cause of this failure had not been discovered.

Chapter 11Department of Works

- (1) Item 925/1/12 - Capital Works and Services-Buildings and Works,
Departmental-Department of Immigration.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|----------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 158,000 | 78,000 | 3,105,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>158,000</u> | <u>78,000</u> | <u>3,105,000</u> |
| Total Expenditure | <u>149,952</u> | <u>43,783</u> | <u>2,677,958</u> |
| Unexpended Available Funds | <u>8,048</u> | <u>34,217</u> | <u>427,042</u> |

444 This Item provides for the buildings and works requirements of the Department of Immigration for offices, migrant hostels and other establishments throughout Australia. Exhibit 118/38

445 The Department stated that the erection of a migrant hostel at Springvale in Victoria was the principal cause of the shortfall in expenditure. Exhibit 118/38

446 Estimated expenditure of \$800,000 was provided for this project based upon a time-table for inviting tenders in July 1968, closing in September 1968 and the letting of a contract in October, 1968. Tenders were invited on time and the lowest tender of \$3,381,000 was considerably below the next tender of \$3,622,000 and the Departmental estimate of \$3,800,000. Exhibit 118/38

447 We were informed that extra time was required to undertake investigations of the financial position of the lowest tenderer and his tender. The firm concerned was located in Sydney. The Department requested its New South Wales Regional Office to obtain a current mercantile agency report on the firm and asked also that the firm supply advice of its current commitments on other projects which would indicate its ability to undertake the proposed work at Springvale. It was also necessary for the Department to confer with the firm on the content and details of its tender to ensure that its Exhibit 118/38 and Qs. 1331 to 1341

offer was complete. Although no major errors or serious discrepancies were discovered the process of examination resulted in a contract not being let until December, 1968. Commencement of work was further delayed by the Christmas shut-down in the industries concerned.

448 The Department had expected that expenditure of about \$200,000 a month would be attained by the contractor within five months of letting the contract. The contractor did, in fact, attain this rate of expenditure but, due to the delay in letting the contract, it was not until June 1969 that progress payments reached a level of \$201,000. Exhibit
118/38

449 The shortfall of \$466,000 in expenditure on the Springvale project was offset to the extent of \$39,000 resulting from good progress made by the contractor on the Migrant Hostel at Randwick, New South Wales. In this case expenditure amounted to \$2,339,000 compared with an estimate of \$2,300,000. Exhibit
118/38

Conclusions

450 Regarding the project at Springvale in Victoria Your Committee notes with concern that while tenders closed in September 1968, a period of three months elapsed before the contract was let. Your Committee recognises that due care must be taken by the Department in its investigation of tenderers and the basis on which their tenders have been submitted. Nevertheless we believe that inordinate delays must have occurred in this case, particularly as the planned programme for the project provided for a period of only one month for the examination of tenders. Your Committee is unable to accept that the location of the contractor in Sydney, which involved the making of inter-State inquiries, should have caused a substantial delay in the letting of the contract.

- (ii) Item 925/1/13 - Capital works and Services—Buildings and Works.
Departmental—Department of the Interior.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 3,076,000 | 2,692,000 | 5,460,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| Total Funds Available | <u>3,076,000</u> | <u>2,692,000</u> | <u>5,460,000</u> |
| Total Expenditure | <u>2,981,712</u> | <u>2,467,468</u> | <u>4,357,366</u> |
| Unexpended Available Funds | <u>94,288</u> | <u>224,532</u> | <u>1,102,634</u> |

451 This Item provides for the buildings and works requirements of the Department of the Interior in all States and Territories including Papua-New Guinea for Commonwealth offices controlled by that Department in offices and other premises of the Bureau of Meteorology and premises occupied by the Commonwealth Electoral Office. Exhibit 118/39

452 The Department informed us that on 8 January, 1968 a contract had been let for the erection of a multi-storeyed Commonwealth office in Perth for \$5,900,000. The contract period was one hundred and eight weeks with completion on 1 February, 1970. The contractor made a very satisfactory start with the project. Early site work was carried out efficiently and the foundations, involving 3,400 cubic yards of concrete were poured by 1 April, 1968, four weeks ahead of schedule. 2.1345

453 In formulating its Estimate for 1968-69 the Department had available to it the contractor's anticipated cash flow which forecast a requirement of \$3,077,000 in 1968-69. The Department also had, as a check, a calculated possible expenditure of \$3,900,000 in 1968-69 arrived at by relating planned progress from the contractors Critical Paths Network Diagram to items in the priced Bill of Quantities. Thirdly, the Department had developed a performance chart as a basis for assessment of expenditure and expenditure rates on major projects. These devices confirmed a requirement of \$3,900,000 Exhibit 118/39 and 2.1346

for the project in 1968-69 based on the assumption that construction schedules were maintained. However, as a matter of broad judgement based on experience, the Department discounted that figure by \$900,000 and set its Estimate for the project for 1968-69 at \$3,000,000.

454 We were informed that, having made a satisfactory commencement with the project, the contractor's rate of progress declined following changes that he made in his key personnel. In particular he changed the site engineer and the site was without an engineer for about eleven weeks during a critical stage of construction. Exhibit 118/39 and Q.1348

455 The evidence indicated that the Department has been continually critical of the contractor's progress and site meetings have been held with the contractor at regular fortnightly intervals. Furthermore pressure was applied to the contractor by the architect on the site, the construction manager and the Director of Works for Western Australia. Q.1349

456 Notwithstanding the efforts made to promote progress on this project, expenditure reached a level of only \$1,944,000 in 1968-69, leaving a shortfall of \$1,056,000. Exhibit 118/39

457 Apart from the project referred to above, an amount of \$2,460,000 was provided in the Estimate for expenditure on the balance of the programme. This comprised \$1,968,000 for work in progress as at 1 July, 1968 and \$1,478,000 for new works to be commenced in 1968-69. Expenditure achieved in respect of these elements reached 98.1 per cent of the Estimate. Exhibit 118/39

Conclusion

458 Your Committee accepts the Department's explanation.

(iii) Item 925/1/24 - Capital Works and Services-Buildings and Works,
Departmental-Department of Works.

| <u>Available Funds</u> | <u>1966-67</u> | <u>1967-68</u> | <u>1968-69</u> |
|----------------------------|----------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 788,000 | 1,274,000 | 1,850,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | <u>100,000</u> | <u>-</u> | <u>-</u> |
| Total Funds Available | 888,000 | 1,274,000 | 1,850,000 |
| Total Expenditure | <u>850,113</u> | <u>1,226,869</u> | <u>1,744,297</u> |
| Unexpended Available Funds | <u>37,887</u> | <u>47,131</u> | <u>105,703</u> |

459 This Item provides for the buildings and works requirements for the Department of Works at its offices, depots and other establishments throughout Australia and Papua/New Guinea. Exhibit 118/40

460 The Department explained that a contract valued at \$187,289 was let on 6 June, 1968 for the construction of a Works Depot at Artarmon, New South Wales. The contract completion date was 3 March, 1969 and full expenditure was expected in 1968/69. Progress by the contractor, however, was slow and on 19 March, 1969 he withdrew all labour from the site and went into voluntary liquidation in May of that year. Total expenditure in 1968/69 on this work was \$99,237 resulting in a shortfall of \$99,000 in expenditure. Exhibit 118/40

461 The witness informed us that the successful tender was the lowest of eleven tenders and about \$6,000 below the second tender. The Department, therefore investigated the tenderer thoroughly both as to his ability to undertake the work and his financial standing. The reports received were favourable and on this basis the Department accepted the tender. The witness was unable to indicate the nature of the subsequent financial problems that confronted the contractor. Qs. 1357 and 1358

462 The remaining \$6,703 shortfall in expenditure was said to have been due to minor variations between actual and estimated expenditure on the remainder of the total programme approved for 1968/69 and totalling \$2,413,000.

Exhibit
118/40

Conclusions

463 Your Committee accepts the Department's explanation

Chapter 12Conclusions

464 In each year since 1952, particular attention has been directed by Your Committee to an examination of the Estimates and related expenditure performances of the departments of the Administration.

465 Because an inadequate standard of estimating has wide ramifications, it has not only been excess spending that has attracted our attention but also the excess provision of funds. Such overprovisions have been highlighted as undesirable, misleading and perhaps unfair to other departments whose financial needs might not have been met fully. At the same time, as this Report shows, there are cases where expenditure variations from the estimates are acceptable because they have arisen from circumstances that could not have been reasonably foreseen when the estimates were formulated, or have arisen from other factors wholly beyond the control of the Departments concerned. However, evidence taken in this inquiry revealed that certain departments have sought funds prematurely in the Original Appropriations either because they have failed to be guided by their own experience in the areas where expenditure is to occur, or because they have applied for funds without making a reasonably based assessment of the expenditure that might be involved.

466 In these circumstances Your Committee believes that departments should be reminded again of the principles relating to estimating that have been formulated by the Department of the Treasury and endorsed by Your Committee.

467 These principles are :-

1. Each individual estimate should represent a realistic assessment of the amount that is expected to be spent during the financial year, having regard to the information available to the department when the estimate is formulated.
2. Estimates should not include amounts for proposals that are so far from firm that it is not possible to know what payments, if any, will be made during the financial year concerned.

3. Where an item relates to a recurring expense(e.g. office services, travelling expenses), the estimate should be formulated on the basis of experience, wisely evaluated.
4. Estimates for supplies and services must be based on current costs. No provision or margin should be included for possible increases in those costs.
5. All continuing expenditure in particular, must be closely examined in order to eliminate items that are no longer required.

468 Arising from evidence submitted in this inquiry, Your Committee would also refer to the classification of appropriations made by the Government in 1965. This decision was that there should be a separate bill subject to amendment by the Senate, containing appropriations for expenditure on the following items -

- The construction of public works and buildings;
- The acquisition of sites and buildings;
- Items of plant and equipment which are clearly definable as capital expenditure;
- Grants to the States under Section 96 of the Constitution; and
- New policies not authorised by special legislation, subsequent appropriations for new policies being included in the Appropriation Bill not subject to amendment by the Senate.

Your Committee believes that this classification must be observed fully by departments in framing their Estimates.

469 As this Report shows, there were shortfalls in expenditure which arose from delays in the placing of orders, administrative laxity, misunderstandings and clerical errors. Your Committee hopes that all Departments will remain vigilant to ensure that problems of this nature are minimized.

470 Your Committee would also invite attention to cases where witnesses who appeared before us were inadequately briefed on matters of fact referred to in departmental submissions. This is timewasting and we would again draw attention to memorandum 66/411 of 18 January 1966, circulated by the

Secretary, Public Service Board, to all Permanent Heads, wherein it was stated:

"The importance of thorough briefing of witnesses and the accuracy of departmental submissions cannot be overestimated. It is in the interests of each Department and the Service generally, that the evidence tendered to the Public Accounts Committee is of the highest quality. It would therefore be appreciated if this Circular could be brought to the attention of those officers in your Department who are likely to be concerned with the preparation of material for the Committee, or who may be required to appear in person at future public hearings of the Committee".

471 Finally, Your Committee would draw attention to the problem that has arisen over many years where estimates are provided by State authorities for use by Commonwealth departments. Your Committee is aware that some States have not adopted the use of Additional Estimates within their own budgetary structures and on this we would not wish to comment. However, we have noted that it is the normal practice for the States to submit a single figure of their estimated financial requirements to the appropriate Commonwealth departments for inclusion in the Commonwealth Budget each year. In this context we believe that a useful purpose could 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 reminded that each Commonwealth department has access to this facility.

For and on behalf of the Committee,

David N. Reid

DAVID N. REID
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra. A.C.T.
5 June, 1970.

Don Dobie

DON DOBIE
Chairman.

Ivy Wedgwood