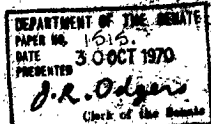


1970



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND TWENTY FOURTH
REPORT

EXPENDITURE FROM THE
CONSOLIDATED REVENUE FUND
FOR THE YEAR 1969-70

(APPROPRIATION ACTS 1969-70)



THE PARLIAMENT OF THE COMMONWEALTH

The Clerk of the Senate,
Parliament House,
CANBERRA, A.C.T.

PUBLIC ACCOUNTS COMMITTEE
PARLIAMENT HOUSE
CANBERRA, A.C.T. 2600

1 June 1972

ERRATUM

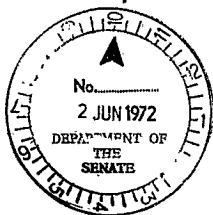
124TH REPORT OF THE COMMITTEE

(Parliamentary Paper No. 237 of 1970)

On page 21, paragraph 87, line 2 of this Report, "December
1969" should read "December 1967"

David N. Reid
(David N. Reid)
Secretary

1515



JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTEETH 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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Chapter 1

Introduction

As in previous years the Department of the Treasury made available early in July 1970 the preliminary figures of expenditure from the Consolidated Revenue Fund for 1969-70. Each item appearing in the Estimates and Additional Estimates of Expenditure was examined by Your Committee and written explanations were obtained from departments. From these Your Committee selected thirty items which appeared to require further examination.

2. The Items selected were made the subject of a Public Inquiry held at Parliament House, Canberra, on:-

| | |
|---------|--------------------|
| Tuesday | 18 August 1970 |
| Monday | 24 August 1970 |
| Tuesday | 25 August 1970 |
| Monday | 14 September 1970. |

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

Department of Defence

| | |
|-------------------|---|
| Mr. J. L. Baker | - Acting Assistant Secretary, Management Services |
| Mr. W. L. Jones | - Executive Officer, Defence Signals, Melbourne |
| Mr. R. H. Mathams | - Assistant Secretary, Scientific and Technical Intelligence, Joint Intelligence Organisation |
| Dr. D. L. Overheu | - First Assistant Secretary, Automatic Data Processing. |

Department of Education and Science

| | |
|--------------------|--|
| Mr. K. N. Jones | - First Assistant Secretary |
| Mr. C. J. Lenthien | - Director, Establishments and Finance |
| Mr. D. W. Morrison | - Assistant Secretary, General Policy and Research |
| Mr. R. F. Ward | - Director, General Education Facilities |

Department of the Interior

| | |
|------------------|--|
| Mr.L.H.Burgess | - Project Officer, Land and Property, Sydney |
| Mr.R.C.Burroughs | - Finance Officer, Budgeting and Works Programming |
| Mr.L.L.Gillespie | -Assistant Secretary, Finance and Supply |
| Mr.T.F.Hopkinson | -Director, Programming and Projects, Property |
| Mr.W.R.Lancaster | -Director, Australian War Memorial |
| Mr.K.J.Moloney | -Senior Clerk and Accountant, Sydney |
| Mr.A.T.Munro | -Officer-in-Charge, Land and Property, Melbourne |
| Mr.C.W.Priestley | -Management Officer, Housing |
| Mr.J.J.Skinner | -Acting Chief Property Office, Canberra |
| Mr.F.S.Smyth | -Property Officer, Canberra |

Department of National Development

| | |
|-------------------|--|
| Mr.L.J.Hickey | -Finance Officer |
| Mr.J.D.Lines | -Acting Director of National Mapping |
| Mr.V.W.Pye | -Inspector, Organisation |
| Mr.R.H.J.Thompson | -Assistant Secretary, Management Services. |

Postmaster-General's Department

| | |
|-----------------|--|
| Mr.W.H.Cash | -Acting Chief Finance Officer, Budgets |
| Mr.D.M.Coleman | -Deputy Assistant Director-General, Telecommunication Sales. |
| Mr.T.D.W.Hewitt | -Chief Technical Officer, Buildings |

Prime Minister's Department

| | |
|---------------|---|
| Mr.B.G.Dexter | -Director, Office of Aboriginal Affairs and Member of the Council of Aboriginal Affairs |
|---------------|---|

Department of the Treasury

Commonwealth Taxation Office

| | |
|------------------|---|
| Mr.M.D.McPherson | -Director, Establishments |
| Mr.F.E.Type | -Assistant Commissioner, Special Projects |

Department of Supply

| | |
|-----------------|---|
| Mr.A.P.Foley | -Assistant Director, Aircraft Facilities |
| Mr.K.McKown | -Assistant Secretary, Finance |
| Mr.K.H.Ryan | -Finance Officer, Research and Development |
| Mr.C.Schomburgk | -Accountant, Weapons Research Establishment |
| Mr.A.L.Simmons | -Director, Forward Planning |

Department of Works

Mr. W. A. McQuiggen - Construction Manager, Sydney
Mr. A. W. G. Miles - Executive Officer, Works Administration

Australian Broadcasting Commission

Mr. H. V. Dicker - Supervisor, Buildings Planning
Mr. W. S. Hamilton - Assistant General Manager

Australian National University

Mr. D. St. A. Dexter - Registrar, Property and Plans

Australian Universities Commission

Mr. J. K. Kaye - Secretary

Canberra College of Advanced Education

Mr. J. R. Scutt - Registrar

Commonwealth Railways

Mr. B. M. Hogan - Acting Secretary
Mr. F. C. Respini - Comptroller of Accounts and Audit.

4.

During our Inquiry we were assisted by the following Observers:

Mr. A. K. Ragless - Auditor-General's Office
Mr. G. N. Vanthoff)
Mr. R. N. McLeod) - Public Service Board
Mr. G. S. Davidson)
Mr. J. I. Maunder) - Department of the Treasury.

Chapter 2
Department of Education and Science

(1) Item 230.2.04 Administrative, Administrative Expenses, Publications

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 56,000 | 72,000 | 90,000 |
| Appropriation Act No.3 | - | - | 8,000 |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 56,000 | 72,000 | 98,000 |
| TOTAL EXPENDITURE | <u>51,487</u> | <u>62,411</u> | <u>90,279</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>4,513</u> | <u>9,589</u> | <u>7,721</u> |

5. We were informed that the Original Appropriation provided for the cost of booklets to be distributed to secondary school students and their parents giving information about the Colleges of Advanced Education. Originally it had been proposed that one booklet should be prepared for distribution on a Commonwealth-wide basis in relation to Colleges of Advanced Education. The project had been under consideration since about mid 1967 but as from the first half of the 1969-70 financial year discussions were held with the various State authorities in relation to the booklet. Because of the variations existing between the States it was concluded that an individual booklet should be produced for each State. Approval having been obtained it was decided to proceed with individual booklets. At the same time the content of the booklets was made more exhaustive than originally envisaged and this involved additional costs.

Exhibit
124 /1
and Q.34

6. When the Additional Estimates review was undertaken pro-rata expenditure was in accordance with the Estimate. However an extra \$8,000 was obtained in the Additional Estimates to cover the expected additional costs in 1969-70 connected with the proposed

Exhibit
124 / 1
and Q.33 to
35

booklets.

7. We were informed that departmental publications to be produced in 1969-70 included "Education in Australia" and "Postgraduate Study at Australian Universities". Estimated expenditure on the former was \$4,000 and on the latter, \$3,300. The programme provided for these publications to be completed early in 1970 and to be lodged with the Government Printer at that time. Although the manuscripts for both publications were lodged in the normal manner with the Government Printer in February 1970 printing was not completed by the end of the financial year and there was a shortfall in expenditure of \$7,300. Exhibit 124/1 and Qs.35 to 39

8. It was stated that subsequent to the placement of the order, liaison was maintained with the Government Printer. The capacity of the Printing Office and the priority given to these publications, however, was such that their completion was not expected until September 1970. The witness added that the Printer would not have known of the Department's programme until the publications had been deposited at the Printing Office. He agreed that even with the relatively small amount of work involved in the two publications, the programme of the printing office may have been assisted had advance notice been given of the Department's needs. Qs.35 to 45

CONCLUSIONS

9. Your Committee accepts the Department's explanation in relation to its request for further funds in the Additional Estimates.

10. Your Committee is disturbed, however, to learn that the capacity of the Printing Office and the apparently inadequate priority given to the publications "Education in Australia" and "Postgraduate Study at Australian Universities" were such that, despite

liaison maintained between the Department and the Government Printer, it was not possible for these publications to be completed and paid for within the financial year. In this regard Your Committee agrees with the witness that the Government Printer might have been assisted had he been informed of the Department's printing programme before the order for these publications was placed.

- (ii) Division 230/3/12 Administrative-Other Services - Australian Council for Educational Research-Special investigations into tertiary education selections.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| Appropriation Act No.1 | 12,000 | 56,000 | 23,400 |
| Appropriation Act No.3 | - | - | 11,000 |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 12,000 | 56,000 | 34,400 |
| TOTAL EXPENDITURE | <u>12,000</u> | <u>44,589</u> | <u>20,068</u> |
| UNEXPENDED FUNDS AVAILABLE | - | 11,411 | 14,332 |

11. This item provides for costs associated with payments to the Australian Council for Educational Research for the preparation of special examinations undertaken with a view to improving the prediction value of entrance examinations to tertiary education.

Exhibit
124 /2

12. We were informed that the original project was extended by the development of a single general scholastic ability test to be administered in 1970. The Commonwealth agreed to contribute \$45,000 towards the cost of the project, \$11,000 of which was expected to be paid for in 1969-70. When the Additional Estimates review was undertaken the rate of Expenditure was in accordance with the Estimate and consequently \$11,000 was sought in the Additional Estimates.

Exhibit
124 /2
and Q.47

13. On 12 March 1970 the Department requested the Australian Council for Educational Research to prepare the test. Towards the end of the year a commitment of approximately \$14,000 was incurred for the printing and preparation of a series of tests for use in the project. We were informed that development of the test involved a longer period of time than had been anticipated and the costs, mainly for printing, were not known as printing

Exhibit
124 /2
Qs.48,49 and
Committee
File 1970/5

had not been completed in time for a claim to be lodged before the close of the financial year.

14. It was stated that the printing arrangements were undertaken on behalf of the Department by the Australian Council for Educational Research and were completed in July 1970. We were informed that close contact was maintained by the Department with the Council to ensure that material was lodged with the printer as test development was completed. Q.51

CONCLUSIONS

15. It appears to Your Committee that \$11,000 was sought prematurely in the Additional Estimates to cover the expected costs in 1969-70 of a single general scholastic ability test. In this regard Your Committee notes that work connected with the development of the test did not commence until subsequent to 12 March 1970.

(iii) Division 232/1/13 - Educational Services-Australian Capital Territory-Independant Schools-Assistance.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | * | * | 921,000 |
| Appropriation Act No.3 | -- | -- | 26,000 |
| Advance to the Treasurer | -- | -- | -- |
| TOTAL FUNDS AVAILABLE | -- | -- | 947,000 |
| TOTAL EXPENDITURE | -- | -- | 815,140 |
| UNEXPENDED FUNDS AVAILABLE | -- | -- | 131,860 |

* Included in other items

16. This item provides for payments to Independent Schools in the Australian Capital Territory in respect of Student Allowances, Text Book Allowances, Library grants and subsidies and interest on loans. Exhibit 124/2

17. The Original Appropriation for this item included an amount of \$382,000 in respect of interest on loans. This was based on preliminary information obtained in April 1969. As audited statements became available during the financial year the provision was revised. An amount of \$26,000 became payable under the scheme and was sought in the Additional Estimates. Exhibit 124 /2 and Q.74

. Student Allowances

18. We were informed that during 1969, rates payable per student in respect of allowances for independent schools in the Australian Capital Territory were \$20 for primary students, \$30 in forms one and two, \$40 in forms three and four and \$45 in forms five and six. From the beginning of 1970, having regard to the payments to be made by the Commonwealth to independent schools in the States, it was decided that the rate in the Australian Capital Territory should be varied to \$55 in primary schools, \$80 in forms one and two, \$90 in forms three and four and \$95 in forms five and six. Exhibit 124 /2

19. Until 1970 the allowances were paid in three instalments. With the introduction of the scheme on an Australia wide basis, as from the beginning of 1970, consideration was given to limiting the administrative work for schools in respect of these payments. In November 1969 the conclusion was reached that the most satisfactory way of making them would be on the basis of two instalments, one early in the calendar year and one late in the calendar year. The payment of two rather than three instalments reduced expenditure under the item in 1969-70 by \$101,000 the Original Estimate having been made on the basis that three instalments would be paid during the financial year.

Exhibit
124 /2
and Q.75

. Interest Payments

20. An amount of \$408,000 was provided in the Original Estimates for interest payments under the Capital Aid scheme which operates in respect of independent schools in the Australian Capital Territory. We were informed that the essential criterion for the grant of funds is the educational programme of the school concerned. The amount approved in the first instance relates to an acceptable reasonable cost of providing an agreed set of facilities. Should the school, following a reassessment of its growth pattern, or some refinement of its needs at a later stage of its development, state a case for an enlarged project involving larger sums of money, such a case is considered by the Department. We were assured by the witness, however, that an agreed amount would not be increased simply on the basis of a larger sum of money being raised by the school from a lending authority. The witness added that school authorities should not enter into an agreement with a bank or other lending institution without an indication of Ministerial approval to do so.

Exhibit
124/2
Qs.225,227
and 228

21. We were informed that in this type of project close consultation is maintained between the Department and the school authorities, the arrangement being that the authorities are made aware of the principles on which the Commonwealth will

Qs.78 to 84

make available capital assistance and interest payments. However, it is a matter for the school authorities to develop within those principles the plans and specifications for a particular school. The authorities are expected to supply the Department with working drawings of the school plan, details of special areas included in the plan and a cost estimate.

22. Within this context, the Original Appropriation included an amount of \$26,000 for the interest payment on the construction of Stage 1 of the Marist Brothers' Secondary School, Pearce. The School did not submit the required documentary evidence until 19 May 1970, at which stage the Department discovered that the cost of the project, and the loan negotiated by the school, were in excess of the amount approved. The school authorities had planned beyond the level at which the Commonwealth had been prepared to provide assistance. Exhibit 124/2, Qs.76 and 85

23. We were informed that in this case there were special circumstances arising from which the school authorities had been able to negotiate a loan in excess of the level approved. However, the Department was unaware of this. In these circumstances and because of the need for the Commonwealth contribution to be re-assessed payment in respect of the project was delayed and could not be made in 1969-70. Exhibit 124/2 and Qs.86 to 88

CONCLUSIONS

24. Your Committee accepts the Department's explanation in relation to student allowances. On the evidence, it appears, however, that the Department sought \$26,000 prematurely in relation to interest payments. The evidence tendered shows that the Marist Brothers School authorities did not submit required documentary evidence to the Department until as late as 19 May 1970. At that stage the Department discovered that the school authorities had planned beyond the level at which the Commonwealth had been prepared

to provide assistance and, on the basis of the revised plans and consequent higher cost, had negotiated an increased loan from private lending authorities. Your Committee is disturbed that these proposed changes were not known to the Department until May 1970. We believe that this situation displays a lack of proper liaison between the Department and the school authorities concerned.

(iv) Division 236/2/03

Australian Universities Commission-Administrative
Expenses-Incidental and other expenditure.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 30,500 | 27,000 | 31,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 30,500 | 27,000 | 31,000 |
| TOTAL EXPENDITURE | 26,169 | 25,470 | 20,503 |
| UNEXPENDED FUNDS AVAILABLE | 4,331 | 1,530 | 10,497 |

25. This item provides for postage, telegram and telephone services, stationery and printing, office requisites and publications.

. Printing shortfall

26. An amount of \$8,000 was provided in the Original Estimates for the printing of the Commission's Fourth Report. The estimate for this work was based on an estimate obtained from the Government Printer in relation to the known cost of printing the Third Report in 1966. However, due to a revision of the format of the fourth Report during the course of its preparation, a considerable reduction was achieved in the number of pages and as a result the total cost of the Report amounted to only \$3,712.

Exhibit
124 / 4
and Qs. 103
to 109

. Other shortfalls

27. We were informed that commission meetings held throughout the year were fewer than usual because of overseas travel by the Chairman and Secretary of the Commission. As a result requirements for stationery, printing, postage and telephone charges were reduced. Actual expenditure on postage, telegrams and telephones was about \$8,000 compared with the estimate of \$10,000, and actual expenditure for photocopying charges was \$2,080 compared with the estimate of \$4,000.

Exhibit
124 / 4
and Qs. 110
to
Q. 134

28. It was explained that the Chairman and Secretary of the Commission were required to travel overseas for six weeks on official business early in the financial year. This overseas visit had not been anticipated when the estimate for the item was prepared. The decision in respect of the visit by the Chairman was made by the Prime Minister on 29 July 1969 and in respect of the Secretary by the Overseas Visits committee on 13 August 1969.

Exhibit
124 / 4
and Qs.110
to 114 and
Committee
File 1970/5

29. Later in the financial year, several senior members of the Commission's secretariat spent four to five weeks in February-March 1970 accompanying the members of the Committee of Enquiry into Post-Graduate Education for Management during its investigations throughout Australia. The absences from the office of senior officers which had not been anticipated prior to the overseas visit, resulted in further reductions in expenditure on a number of items of incidental and other expenditure such as postage, telephones, stationery and stores.

Exhibit
124/ 4
and Qs.116
to 118

30. Other shortfalls in expenditure included the discontinuation of two newspaper cutting services and an over-estimate for the maintenance of office machines. The newspaper cutting services, discontinued on 7 March and 31 July 1969, were replaced by the Commission's own internal service and resulted in a shortfall of \$400. Office machine maintenance cost \$200 less than expected.

Qs.119 and 120

CONCLUSIONS

31. Your Committee accepts the Department's explanation except for the element of printing which accounted for about 41 per cent of the shortfall in expenditure.

32. The evidence shows that the estimated cost of the Fourth Report of the Australian Universities Commission, to be completed in 1969-70, was based on a current estimate supplied by the Government Printer and derived from the format of the Third Report that had been

printed in 1966. Your Committee believes that between 1966 and 1969 the Commission had ample opportunity to consider the format and content of its proposed fourth Report and that this revision should have been completed in time for a realistic estimate to be prepared by the Government Printer for the Department's guidance.

- (v) Division 825/1/01: Capital Works and Services-Buildings and Works-
The Australian National University-Permanent
buildings, acquisitions and erection of dwellings
equipment and works.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 5,570,000 | 6,000,000 | 5,000,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 5,570,000 | 6,000,000 | 5,000,000 |
| TOTAL EXPENDITURE | 5,570,000 | 5,500,000 | 4,326,000 |
| UNEXPENDED FUNDS AVAILABLE | - | 500,000 | 674,000 |

33. This item provides for the costs of capital works
and services in respect of the Australian National University.

Exhibit
124 / 5

. Capital Works Programme

34. We were informed that the role of the Department of
Education and Science in respect of the Building Programme of the
Australian National University is essentially one of financial
management. The triennial programme of capital expenditure,
composed of individual items is determined in broad terms according
to the dimension and scope of the building programme and in precise
terms according to the amount of money made available for it. The
triennial programme is determined on the basis of advice supplied
by the Australian Universities Commission.

Q.224

35. It was stated that the role of the Department is
directed primarily to the flow of cash during a triennium and to
the translation of the triennial programme to the relevant financial years.
The Departmental estimate is based on its assessment of the cash
expenditure of the University within the financial year in question.
This estimate is made against the background of the Department's
own experience or on the operations of the institution in the past,

Q.224

and in association with the Department of the Treasury which makes its own assessment of factors such as building industry capacity and cost movements.

36. We were informed that on some occasions particular projects are examined in detail while on others the examination is made on a rather broader basis with the intention that the University will then determine which projects should be given priority. Q.224

37. The witness representing the Department of Education and Science stated that at the close of the financial year 1968-69 his Department held an unexpended balance of \$500,000 from the amount appropriated under this item and the University held an amount of \$423,000 unexpended from the total amount received during the triennium. When the Estimates for 1969-70 were discussed the amount to be carried forward from the previous financial year was not known precisely. Qs.145 to 147 and 158.

38. The Department was provided with details of estimated expenditure on particular projects and anticipated dates for the letting of contracts. It was claimed that checks were made and the estimates were examined critically. On the basis of the information available, the estimates provided by the University were reduced by about \$480,000. Qs.158 and 162

39. It was stated that when the estimates were prepared for 1969-70, the Report of the Universities Commission had not been received and several projects submitted for that year were included in the programme of the 1970-72 triennium. The final site plan for the University was expected to be received in May 1969. However, at the time of our Inquiry, in August, 1970, the plan had not been received. Q.147

40. A shortfall of \$40,000 in expenditure occurred on site works and services. In this regard we were informed that excessively high tender prices led to several months delay in the building

programme while long and comprehensive reviews of the constructional, material and equipment standards to be used were undertaken in an attempt to achieve prices more consistent with authorised allocations. It was said that the cost of building projects at the University increased beyond the amount provided in the Australian Universities Commission's grants, particularly in tenders for mechanical services and in the building trades. An assessment made by the University indicated that a price increase of 21.5 per cent for labour costs and 12.34 per cent for material costs had occurred between June 1967 and May 1970. It was acknowledged, however that during the financial year 1969-70 building activity in Canberra achieved such a level that builders interested in tendering were able to seek prices that were so high that, had a tender been accepted, an escalation in costs would have resulted.

Exhibit
/

Exhibit

124/15 Q.156,
Qs.165 and 190

(i) H.C. Coombs Building

41. It was stated that completion of the documentation of extensions to this building by the Architect was delayed by two months. The price advised by the Architect after consultation with the quantity surveyor was \$808,000. Tenders closed on 2 September 1969. The lowest tender received, however, was \$843,000. It was necessary, therefore, to reach agreement with the users of the building regarding appropriate deletions from the original design. Further negotiations then took place with the builder and a price of \$803,000 was settled. The builder, however, was not given possession of the site until 14 November 1969. The Department of Education and Science was advised on 9 April 1970 of the progress made on the building. The shortfall in expenditure on this project amounted to \$278,000.

Qs.148 to 156
and
Committee File
1970/5

(ii) Research School of Biological Sciences

42. We were informed that the Australian Universities Commission recommended a grant of \$2,550,000 for this project. A variety of problems, were encountered in the planning of the buildings.

Q.156

43. It was stated that considerable difficulties were encountered in the siting of the Research School of Biological Sciences. Originally this school was sited near the John Curtin School of Medical Research. However, an earlier decision had resulted in the Research School of Chemistry being sited near the undergraduate Chemistry Department and the Research School of Biological Sciences being sited in the life sciences area. This arrangement was responsible for a long site planning delay. It was planned that tenders would be called in January 1970. However, further access and siting problems were encountered when the building was finally sited between the Forestry Building and the Boiler House. In the circumstances tenders were not called until April 1970 and there was a shortfall in expenditure of \$150,000 on this project.

Q.156 and
Committee File
1970/5

(iii) Forestry School

44. The Forestry school built three years ago required extensions including phytotrons, glasshouses and forestry engineering services. The school was located in what is known as the services and facilities area. Soon after his appointment late in 1968 the Site Planner suggested that the building be moved and joined to the smaller of the forestry buildings. The delays involved in these procedures together with escalation in costs and tender prices being in excess of available funds was responsible for a shortfall of

Q.156
and P.P.
No.103 of 1970
and Committee
File 1970/5

(iv) Energy Sources and Airconditioning

45. We were also informed that reconsideration had to be given to the question of heat and energy services and airconditioning throughout the University. All capital expenditure on the renewal and extension of the Central Boiler installations and associated reticulation was therefore withheld. This resulted in a shortfall of some \$338,000.

Exhibit
124/5
and Q.156

. Energy Sources

46. There are two boiler houses at the University. Heating and power is supplied by a high temperature hot water service using low quality sulphur fuel from the boiler houses. After the estimates for 1969-70 had been submitted, the University authorities became aware of the fact that the supply of low sulphur fuel would be lost and the replacement fuel available would give rise to air pollution. This was regarded as important because at that time it was planned to site the Research School of Biological Sciences in the general area adjacent to the main boiler house.

Q.156
and Committee
File 1970/5

47. Subsequent negotiations indicated that a new supply of low sulphur fuel could be obtained at a much higher price and with attendant difficulties of storing and firing.

Q.156

48. Advice was received that should pollution legislation be introduced in the Australian Capital Territory similar to that in New South Wales it would be necessary for a chimney 160-ft high to be erected over the boiler house, and this would introduce technical and aesthetic problems. For these reasons alternative fuel sources such as natural gas and electricity were considered. These considerations together with the continuing and rapid rise in costs of high temperature hot water reticulation led to the formation of a Committee to recommend the type of energy source the University may require. A shortfall of \$50,000 in expenditure occurred on heat and energy services throughout the University.

Q.156
and Committee
File 1970/5

. Airconditioning

49. The Universities Commission recommended expenditure for airconditioning the R.G.Menzies Library Building, the Law Library and the first stage of the Chancery. An investigation which followed the acceptance of that recommendation showed that it would be more economic to provide one large refrigeration unit and to reticulate chilled water to the buildings concerned than to install individual

Q.156 and
Committee
File 1970/5

plants in each building.

50. It was stated that consideration was given to the installation of an absorption type refrigeration machine, on the basis of lower operating costs and freedom from maintenance. However, this would have required extension of the high temperature hot water service and would have raised the question of the energy sources problem in general. It was therefore decided to install a centrifugal unit in the basement of the R.G.Menzies Library Building, serving the other two buildings and allowing for maximum flexibility in the future thus permitting subsequent extension to other buildings. The delay related to airconditioning was responsible for a shortfall of \$100,000 in expenditure.

Q.156
and Committee
File 1970/5

CONCLUSIONS

51. Your Committee examined the Department on this Item in connection with its Inquiry into expenditure from the Consolidated Revenue Fund 1968-69. In its One Hundred and Eighteenth Report, which related to that Inquiry Your Committee noted the problems of site planning that had arisen on the Australian National University campus, particularly subsequent to the association in 1960 of the Canberra University College with the University and the consequent merging of sites. Arising from this problem a new site planner was appointed and took up duty in October 1968.

52. The evidence taken in our present Inquiry shows that the final revised site plan for the University had been expected to be available in May 1969 but had not, in fact, been received when our Inquiry took place in August 1970. There can be little doubt that this failure contributed substantially to the difficulties experienced by the University authorities in executing their capital works programme in 1969-70. Your Committee is of the opinion that every effort should be made to bring the revised site plan to completion with minimum delay and that until such a plan is available and has been adopted the Department of Education and Science should continue

to adopt a cautious policy in bidding for funds for capital works on the campus.

53. It also appears from the evidence that the capital works programme of the University was impeded by unforeseen cost increases in the building industry during 1969-70 in the Australian Capital Territory that gave rise to the need for revision of the plans of several projects. In this regard we note that between June 1967 and May 1970 building labor costs increased by 21.5 per cent and material costs increased by 12.3 per cent. While such cost increases are clearly beyond the control of the University authorities their importance to the orderly execution of the University's building programme is such that they should be kept under close surveillance and appropriate action taken to review plans in the light of such changes.

(vi) Division 825/1/02: Capital Works and Services-Buildings and Works-Contributions to Affiliated Residential Colleges at the Australian National University.

| <u>Funds Available</u> | <u>1967-68</u> \$ | <u>1968-69</u> \$ | <u>1969-70</u> \$ |
|----------------------------|----------------------|----------------------|----------------------|
| Appropriation Act No.1 | 1,589,000 | 700,000 | 545,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 1,589,000 | 700,000 | 545,000 |
| TOTAL EXPENDITURE | <u>1,434,852</u> | <u>428,324</u> | <u>196,486</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>154,156</u> | <u>271,676</u> | <u>348,514</u> |

54. This item provides for Commonwealth assistance towards the cost of approved capital projects at affiliated residential colleges at the Australian National University. Exhibit 124 / 6 and

55. A Commonwealth grant of \$750,000 was recommended originally by the Australian Universities Commission in 1966 for the construction in the 1967-69 triennium of the first stage of Burgmann College to house 200 students. Late in 1968 the College Council was advised by the University that its enrolment predictions had been revised and it was considered that the demand for the additional residential places which the College was designed to provide would be significantly lower in 1970 than had earlier been anticipated. The College Council reviewed the position and requested that the grant for the 1967-69 triennium be withdrawn and another grant provided in the 1970-72 triennium. The Commission subsequently recommended that the project should be supported in the 1970-72 triennium and a Commonwealth Grant of \$1,222,500 was approved for the purpose. Exhibit 124 / 6 and Q.170

56. The Original Estimate of \$545,000 for 1969-70 was based on the Burgmann College Council's Estimate that the revised project, would be completed by the end of 1970. At that time the Department of Education and Science expected that Exhibit 124/6 and Q.170

construction of the College would be well advanced by June 1970. However, because of the need to revise the plans, construction of the College was not commenced until March 1970.

57. At the close of the financial year the Commission had claimed an amount of \$195,486 on behalf of Burgmann College. Q. 170
A further amount of \$1,000 was claimed from the item as the final payment on John XXIII College, leaving a shortfall in expenditure from the Appropriation of \$348,514..

CONCLUSIONS

58. Your Committee examined this Item in connection with expenditure from the Consolidated Revenue Fund for the financial year 1968-69. In its One Hundred and Eighteenth Report which related to that Inquiry the Committee referred to the circumstances surrounding the withdrawal of the Burgmann College project subsequent to the formulation of the Estimates for 1968-69. On the basis of the evidence submitted at that time Your Committee accepted the Department's explanation.

59. The evidence tendered in the present Inquiry shows that the project was included in the 1970-72 triennium and \$545,000 was provided in 1969-70 to enable the building to be completed prior to 30 June 1970. Your Committee is disturbed to learn, however, that, due to an apparent need to revise the plans for the College, construction did not commence until March 1970. As a consequence a shortfall of about \$349,000 occurred on the project.

60. As in the case of Item 232/1/13, it appears to Your Committee that funds were sought prematurely for the Burgmann College project. We believe that the Department should have satisfied itself that the project was capable of completion during the financial year before seeking the full amount of \$545,000 in the Original Estimates.

- (vii) Division 825/1/03: Capital Works and Services-Buildings and Works.
Canberra College of Advanced Education-Site
works and services.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 440,000 | 940,000 | 2,200,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 440,000 | 940,000 | 2,200,000 |
| TOTAL EXPENDITURE | 439,048 | 940,000 | 1,400,000 |
| UNEXPENDED FUNDS AVAILABLE | 952 | - | 800,000 |

61. This item provides for the costs of capital works and services in respect of the Canberra College of Advanced Education.

Exhibit
124 / 7

62. The Original Appropriation for this item was based on detailed statements of estimated expenditure on projects provided for under the approved programme for the College and on discussions held between officers of the Department and the College regarding anticipated dates for the letting of tenders. The amount sought by the College was \$2.4 million. However, having regard to the expenditure pattern of the previous two years the Department considered that the programme would be covered by an Appropriation of \$2.2 million. The reduced estimate was not related to any particular project.

Exhibit
124/7 and
Q.173

63. Delays occurred in concluding acceptable contracts for and the commencement of construction of Buildings Nos. 2 and 3 of the triennial programme, for which triennial allocations of \$1,115,000 and \$1,229,000 respectively had been authorised. The projects, Lecture Centre A Building No.2 and the Applied Science Building, Building No.3 which were said to be of crucial importance to the College's establishment, were given top priority in the 1969-70 programme.

Exhibit
124 / 7
and Q.180

64. We were informed that tenders were invited concurrently for both buildings on the basis that tenderers could provide estimates for the buildings either as separate projects or as a combined project. Q.174

65. It was said that tenders for Lecture Centre A, which were received in September, 1969 were considerably higher than the estimate. A contributing factor in the level of tender prices was said to be that building costs were higher than could reasonably have been expected. However, it was indicated that building activity in Canberra at that time was such that firms interested in tendering were able to seek a considerably higher price. Had a tender been accepted this would have involved escalation in costs. Exhibit 124 / 7 and Q.190

66. The quantity Surveyors cost Estimate and the lowest tender received were as follows: Qs.174 to 177, 193 and Committee File 1970/5

| | <u>Lecture Centre A</u> | <u>Applied Science Building</u> |
|-----------------------------|-------------------------|---------------------------------|
| Quantity surveyors estimate | \$ 905,401 | \$ 1,043,009 |
| Lowest tender received | \$ 1,177,000 | \$ 1,291,000 |
| Additional cost | \$ 271,599 | \$ 247,991 |

67. We were informed that the lowest tenderer had offered a price of \$2,435,000 for the construction of both buildings. Had this offer been accepted, the total cost of the project would have been \$600,000 in excess of the amount available in the approved triennial programme. The tender price included allowances to cover escalation in costs resulting from rise and fall provisions in the contract, furniture and equipment, and professional fees. When tenders were received it was found that a combined tender was the cheapest proposition. Exhibit 124 / 7 Qs.174 to 177 and Committee File.

68. In view of these circumstances the design of Lecture Centre A was reviewed comprehensively subsequent to December 1969. This review was completed by the end of April 1970 and decisions were made in respect of modifications to the proposed structure and the materials to be used. Reduced overhead charges were negotiated with the contractor in respect of sub-contracts with individual building trades and a contract was concluded in May 1970 as against a programmed date of October 1969. Expenditure on the project was commensurately reduced.

Exhibit
12 4 / 7
and Qs. 178 to
182 and 194
to 199

69. It was stated that identical difficulties were encountered prior to the commencement of construction of the Applied Science Building. Following the receipt of tenders in September 1969, the Council of the College was faced with the alternative of accepting the tenders after negotiating a slight price reduction or of considering the redesign of the building. As there was a commitment to provide teaching space in 1971 for courses already commenced it was decided to negotiate immediately to obtain lower prices. Negotiations were completed successfully for the Building and a contract was arranged in December 1969. The shortfall in expenditure on the two buildings was about \$330,000.

Exhibit
124/7
and Q.178

70. Delays in construction of Lecture Centre A and the Applied Science Building were responsible for further delays in the remainder of the years building programme. There was a considerable shortfall in expenditure on site development and it was considered undesirable in the circumstances to proceed with planned expenditure on the Sports Centre.

Exhibit
12 4 / 7

71. There was also a shortfall in expenditure on the boiler house. Both oil and natural gas were considered as fuels for the boilers in the boiler house project. It was recognised that the pollution factor would be greater if oil were to be used and that a more expensive installation would be necessary. On the information available at the time of planning it was considered that the costs incurred in using either oil or gas would be

Exhibit
12 4 / 7
Qs. 200 to 201
and 207
and Committee
File 1970/5

approximately the same. It was recognised, however, that this might be a temporary situation.

72. It was stated that the uncertainty as to when gas would be available was the most important factor in the decision to specify oil. Investigations showed that without incurring increased costs an oil fired boiler which could later be converted to gas could be specified. It was agreed that in order to maintain all options and at the same time permit the plant to begin operations at the required time, an oil fired burner capable of conversion should be installed.

Exhibit
124 / 7
Qs.200 to 207
and Committee
File 1970/5

CONCLUSIONS

73. As in the case of Item 825/1/01 it appears from the evidence that the capital works programme of the College was impeded by unforeseen cost increases that occurred during 1969-70. Your Committee's observations in this regard in connection with Item 825/1/01 apply also to this Item.

(viii) Division 825/1/04

Capital Works and Services-Buildings and
Works-Optical Telescope-Joint construction
with United Kingdom.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 75,000 | 660,000 | 1,251,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 75,000 | 660,000 | 1,251,000 |
| TOTAL EXPENDITURE | <u>51,002</u> | <u>514,508</u> | <u>182,335</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>23,998</u> | <u>145,492</u> | <u>1,068,665</u> |

74. This item provides for capital works and services associated with the Joint Anglo-Australian Telescope Project.

. Construction of Telescope Tube and Figuring of Primary and Secondary mirrors

75. An agreement in respect of the ordering and construction of the mirror blank was reached in March-April 1967 between the British and Australian Governments. It was known from past experience that a mirror blank would take up to eighteen months or two years to construct and another two years or more for figuring. Tenders for construction of the blank were invited in September 1967 and a contract was let in December of that year. The contract was let to a company which had developed a completely new manufacturing process for large ceramic blanks which, based on the Company's experience in the construction of small ceramic blanks, would be completed in about fifteen months.

Q.208

76. Prior to the receipt of this order, however, the contractor had not constructed a mirror blank larger than one of sixty inch diameter. In order to construct the blank that had been ordered a new furnace had to be constructed and the manufacturing process adapted to a larger scale of operation. The construction of the Mirror was not completed until October 1969 and was accepted

Q.208

in November of that year. We were informed that in March 1969 a British company was awarded the contract for figuring the primary mirror blank and the secondary mirror blanks, and for the construction of the telescope tube. The contract was valued at \$1,370,000. When the 1969-70 estimates were being prepared, it was expected that the American manufacturer would have completed the primary mirror blank and delivered it to the British company in time for figuring to commence in October or November 1969. Figuring was expected to take two years to complete.

Exhibit
124 / 8
and Q.208

77. However, a delay of three months occurred in the manufacture of the primary mirror blank and figuring was not commenced until February 1970. This delay resulted in the British company being paid \$77,348 instead of the estimated amount of \$350,000 provided for in the contract.

Exhibit
124 / 8
and Q.208

78. We were informed that delays in the construction of the mirror blank were responsible for part of the shortfall in expenditure in 1969-70 and in the two preceding years.

Q.208

. Construction of Telescope Mounting

79. When the estimates for 1969-70 were prepared it was expected that expenditure in respect of the construction of the telescope mounting would be \$280,000. Tenders were expected to be invited in October 1969 for completion in eighteen months. Construction was estimated to cost about \$1,200,000.

Exhibit
124 / 8

80. Tenders were invited late in August 1969, closing at the end of October, 1969. Because of uncertainty regarding small but important design questions in respect of the viability of the main bearings in the mounting on which the telescope tube would swing, the Joint Policy Committee deferred a decision on the contract pending further investigation by its consulting engineers. An extension of time was allowed and tenders closed in January 1970.

Exhibit
124 / 8
and Q.210

81. A significant factor in relation to the delay in construction of the mounting was the sudden death of the Project Manager in September 1969. The Department had been in receipt of advice from consulting engineers in Canada who had worked in close association with the Project Manager whose death occurred at a time when detailed design questions affecting the mounting were under discussion. The Project Manager had held doubts about the consultants' manner of dealing with the problem but was confident that, given the right manufacturer, the problems could be settled.

Exhibit
124/8
Qs. 210 and
212.

82. Arrangements were made for the appointment of an acting Project Manager. The appointee, however, did not have the breadth of experience of his predecessor. It was found necessary to engage fresh consultants to reassess outstanding design questions, and to extend the time for receipt of tenders for the mount. No expenditure was incurred in respect of this aspect of the project in 1969-70. In the event, the contract for the telescope mount was not let until August 1970 as it was not until that time that complete satisfaction was reached and an assurance received from the new consultants' regarding the adequacy of the bearings.

Exhibit
124/8

83. . Construction of the Dome and Building

An amount of \$520,000 was provided in the Original Estimate for expenditure on the construction of the dome and building. When the estimate was made it was expected that a contract for the project would be entered into between December 1969 and February 1970, with fabrication and construction occupying a period of twenty-three months at a total estimated cost of \$3,300,000.

Exhibit
124/8

84. In October 1969 the Joint Policy Committee requested that further studies of the design of the building be made to determine whether some proposed services should be eliminated. It was explained that the Committee had become concerned at the escalation in the total cost of the telescope and had acted on the principle that the essential items were the scientific instrument and

Exhibit
124/8
and Q. 213

its auxiliaries. The structure housing the telescope, however, was regarded as being of lesser importance.

85. The Joint Policy Committee reviewed the position in March 1970 when tenders for the construction of the dome were available. These were considered to be unreasonable and tenders were recruited for the dome in association with an extension of tender time for the building. Expenditure incurred on the construction of the dome and building during 1969-70 amounted to \$4,605 which related to incidental costs only.

Exhibit
12 4 / 8

CONCLUSIONS

86. The evidence shows that approximately \$273,000 of the shortfall in expenditure on this Item related to the production of a mirror blank for the proposed telescope.

87. It appears that a contract to produce the mirror blank was let in December 1969 to a manufacturer who was inadequately equipped to produce the blank and this fact caused a delay in its production. It also appears that the Department disregarded this delay when it let a contract in March 1969 to a company for the purpose of figuring the blank. In view of the circumstances Your Committee believes that the latter contract was let prematurely and that this should have been evident to the Department at the time.

88. A further shortfall of \$280,000 occurred in relation to the construction of the telescope mounting. Although some of the difficulties encountered with this work arose from the death of the project Manager in September 1969 the evidence shows clearly that when tenders were invited for this work in August 1969, uncertainty existed in connection with certain design aspects. From this it appears that tenders were invited prematurely for this work.

89. The remaining shortfall of about \$515,000 related to construction of the dome and building for the telescope. In this

area also, the evidence shows that work was delayed in part by design uncertainties. As late as October 1969 the Joint Policy Committee requested that further studies of the design of the building should be made and the Committee again reviewed the position in March 1970 when tenders became available.

90. On the evidence Your Committee can only regard the position in relation to each of the components of this project in 1969-70 as unsatisfactory.

(ix) Division 825/2/02: Capital Works and Services-Plant and Equipment-
Northern Territory education services.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | * | 75,000 | 60,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | - | 75,000 | 60,000 |
| TOTAL EXPENDITURE | - | 52,017 | 31,955 |
| UNEXPENDED FUNDS AVAILABLE | - | 22,983 | 28,045 |

* Not available. Included in an another Item.

91. This item provides for the cost of plant and equipment for government community schools and pre-schools in the Northern Territory.

92. We were informed that the shortfall in expenditure on this item arose mainly from difficulty experienced in obtaining contracts for the supply of materials specified in the programme on which the estimate was based. Contractual arrangements for the materials are made by the Northern Territory Administration on behalf of the Department of Education and Science in the Northern Territory. It was said that this arrangement has been far from satisfactory, particularly during 1969-70.

Exhibit
124 / 9
and Q.216

93. The items required by the Department of Education and Science are similar to those required by the Northern Territory Administration for its special schools. It was indicated that there is a tendency to postpone the calling of tenders for the requirements of the Department until the Administration is aware of its own requirements and then to invite a common tender.

Q.216

94. These circumstances, which were apparently evident in the six months prior to our inquiry were said to have been responsible for an investigation being carried out by the

Exhibit
124 / 9
Qs.216 and
217

Superintendent of Stores, Central Office, Department of Education and Science into the methods of procurement of plant and equipment for the Northern Territory. It was recommended that changes be made in the method of ordering and that additional staff be provided in the Northern Territory to meet the Department's commitments. We were informed that steps were being taken to ensure that tenders would be invited and contracts arranged as early as possible in each financial year.

95. It was also stated that a contributing factor to the shortfall in expenditure was the fact that the estimate for a number of items was based on the price of similar items when last ordered and that lower tender prices amounting to \$5,811 had been obtained for these items during 1969-70. Exhibit 12 4 / 9

CONCLUSIONS

96. The evidence submitted shows that the causes of the shortfall in expenditure in 1969-70 related mainly to material acquisition procedures under the control of the Northern Territory Administration. The evidence also suggests, however, that while difficulties associated with these procedures had been particularly pronounced in 1969-70 they had existed previously.

97. While action has now been taken to overcome the deficiencies in the system referred to, it appears to Your Committee that such action could well have been taken earlier. In this regard we note that in the previous year, 1968-69 a shortfall of \$22,983 occurred on expenditure under the Item from an Appropriation of \$75,000.

Chapter 3
Department of the Interior

(1) 354.07: Rent - Department of External Affairs.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 14,500 | 14,500 | 66,200 |
| Appropriation Act No.3 | 1,400 | 37,600 | 17,300 |
| Advance to the Treasurer | - | 30 | - |
| TOTAL FUNDS AVAILABLE | 15,900 | 52,130 | 83,500 |
| TOTAL EXPENDITURE | 15,794 | 52,048 | 76,842 |
| UNEXPENDED FUNDS AVAILABLE | 106 | 82 | 6,658 |

98. This item provides for rental of accommodation for the Department of External Affairs. Exhibit 124/10

99. We were informed that the Original Estimate for this item was prepared from a schedule of commitments of rent maintained by the Department. Q.283 and Q.284

100. It was stated that the \$17,300 sought in the Appropriation Act No.3 was required for new commitments approved between 1 July 1969 and 12 March 1970 as follows: Exhibit 124/10

Victoria

Flotta Lauro Building, Melbourne -
new lease for five years with effect from
approximately 1 February 1970 at \$21,840 per annum 10,920

Queensland

Ampol House, Brisbane -
lease of approximately 1026 square feet of
accommodation transferred from the Australian
Broadcasting Commission. (The area was sub-
sequently re-allocated to the Departments of
Supply and Shipping and Transport).

Australian Capital Territory

\$

Electricity House -

hire of conference facilities for the 1969 1,520
Foreign Service Training Course

Academy of Science Building -

hire of conference facilities for the 1970
Foreign Service Training Course 4,140
17,257
\$17,300

101. It was stated that of the \$6,658 that remained unexpended on this Item in 1969-70, \$6,051 related to the rental of space in the A.W.U. Building, Canberra for the Department of External Affairs on behalf of the Asian and Pacific Council (ASPAC), Registry of Scientific and Technical Services. Exhibit 124 / 10

102. Subsequent to the closing of Additional Estimates it was established that this amount had been sought in the Original Estimates in error as it was recoverable from the Department of External Affairs, on behalf of ASPAC, and was not chargeable to the rent vote of that Department. A witness representing the Property Branch stated that, based on previous correspondence, his Branch was under the impression that the Finance Branch of the Department was aware that this amount was to be recovered when the Property Branch sought the necessary funds. Exhibit 124 / 10 and Q.287

103. A witness representing the Finance Branch of the Department confirmed that a misunderstanding had arisen between the Property and Finance Branches of the Department of the Interior and that the Finance Branch had overlooked that the amount concerned was recoverable. Q.288

104. The additional \$607 that remained unspent related to rounding off provisions and minor reductions in expected expenditure. These included a rebate of \$180 from the Academy of Science Building, Exhibit 124 / 10

Australian Capital Territory, resulting from a reduced number of conference sessions held and a reduction in rent of \$324 for space in the Flotta Lauro Building, Melbourne, when the commencement date of the lease was determined as 4 instead of 1 February 1970.

CONCLUSIONS

105. It appears to Your Committee that an amount of \$6,051 was sought in error when the Original Estimates were formulated for the item and this error was overlooked by the Finance Branch of the Department when it sought a further \$17,300 in the Additional Estimates. Your Committee believes that the original error should not have occurred and that it should have been taken into account when the Additional Estimates were formulated. The circumstances reflect a failure in effective communication between the Branches concerned in the Department and a need for greater care on the part of the Finance Branch in formulating its Estimates.

(11) 354.22: Rent - Department of Works

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 1,033,300 | 1,011,400 | 1,045,000 |
| Appropriation Act No.3 | 21,000 | 17,600 | 26,100 |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 1,054,300 | 1,029,000 | 1,071,100 |
| TOTAL EXPENDITURE | <u>1,052,580</u> | <u>1,022,774</u> | <u>1,043,507</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>1,720</u> | <u>6,226</u> | <u>27,593</u> |

106. This item provides for the rental of accommodation for the Department of Works. Exhibit 124 /11

107. We were informed that the amount of \$26,100 sought in Appropriation Act No.3 was to cover the following new commitments approved between 1 July 1969 and 12 March 1970:- Exhibit 124/ 11

New South Wales

| | |
|---|--------|
| <u>Tower Building, Sydney-</u> | \$ |
| payment of increased rates in accordance with the terms of the lease | 18,245 |
| <u>Tower Building, Sydney-</u> | |
| lease of additional area for seven years from 1 July 1970 at a rental of \$23,870 per annum | 1,990 |
| <u>Tower Building, Sydney-</u> | |
| payment of lessor's solicitor's costs in accordance with the terms of the lease | 6,125 |

Victoria

| | |
|--|-----|
| <u>44 Burwood Road, Hawthorn-</u> | |
| payment of rates in accordance with the terms of the lease | 728 |

Queensland

| | |
|---|-------|
| <u>Australia House, Brisbane-</u> | |
| area transferred from Department of the Interior at \$2,641 per annum | 2,259 |

South Australia

Da Costa Building, Adelaide-

| | |
|--|-----|
| area transferred from Department of Supply | 689 |
| at \$689 per annum | |
| payment of legal costs on two leases in | |
| accordance with the terms of the leases | 137 |

Western Australia

81 Bennett Street, Perth-

| | |
|---|--------|
| rental for accommodation increased by \$276 | 77 |
| per annum | 30,250 |

Less: reduced rates payable in respect of Da Costa
Building, Adelaide

| |
|---------------|
| 4,107 |
| <u>26,143</u> |

108. It was stated that, having regard to these new commitments and after taking into account shortfalls resulting from rounding of the provision, the net additional cash requirement was assessed at \$26,100.

Exhibit
124/11

109. We were informed that land comprising approximately 4 acres known as Blackmore Park, Leichhardt, was occupied as a war time measure by the Commonwealth in August 1942. Prior to this occupation, the land had been used by cricket and football organisations as playing fields. A continuing requirement for land as a site for a main stores depot for the Department of Works existed and the occupation continued. A section of the land was occupied by the Department of the Army.

Exhibit
124 / 11
Qs. 315 and 336

110. Following representations made by New South Wales authorities for rehabilitation of the land, the Prime Minister wrote to the Premier of that State on 17 October 1967 assuring him that the Commonwealth would vacate the Blackmore Park site in December 1969.

Exhibit
124 / 11
Q. 318

111. It was stated that an alternative site for the stores depot for the Department of Works was obtained in February 1968 and a contract for construction was let in September of that year for completion in twelve months. The witness claimed that as a result of satisfactory progress being made with the new stores depot, the Department of Works prepared, in December 1968, a sound estimate of \$45,000 for the rehabilitation of the Blackmore Park site. On this basis \$40,000 was included in the 1969-70 rent estimates under this item (354/22) and \$5,000 was included for the Department of the Army. The Estimate was made following negotiations which provided that the Department of Interior would sell and remove the eleven buildings comprising some 40,000 sq.ft., on the land. About 60,000 sq. ft., of heavy duty concrete paving and 4,000 to 4,500 lineal feet of underground services were also involved. The witness stated that in preparation of such an estimate it was necessary to take into account the important uncertainty as to the location of a disposal site for the debris.

Qs. 315 to
318 and 337 to
341

Exhibit
124 / 11
Q. 318 and
Q. 329

112. However, only three of the buildings, including one of the largest were sold to the Leichhardt Municipal Council. These three buildings were to remain on the site together with the underground services, some 2,700 sq.ft., of concrete pavement and some other features including fencing. This sale and decision to leave other items on the site took place early in September 1969.

Exhibit
124 / 11

113. We were informed that the Department of Works vacated the land late in September 1969 and it was agreed that in view of the requirement for the land to be restored by December of that year, it would be expedient and in the Commonwealth's interest to have the demolition of the remaining buildings and structure in the contract for restoration of the area.

Exhibit
124 / 11

114. The witness informed us that an extremely favourable tender of \$11,750 was received for demolition and site clearing work. Other tenders ranged between \$18,000 and \$30,000. It was stated that investigation of the contractor's financial capability and

Qs. 318, 331
and 332

plant availability together with an interview failed to disclose that the work would not proceed as anticipated to completion by mid-December 1969. It was stated that the contract price was increased to \$12,425 by the inclusion of costs for security services and a small amount of day labour charges.

115. However, as the contractor refused to complete the contract, the Department relieved him of his obligation and paid \$10,910 in lieu of the contract price of \$12,425. Final payment was made to him on 3 February 1970. Final settlement of the arrangement was not reached until 23 June 1970 when an amount of \$2,000 was paid to the New South Wales Lands Department in consideration for the Leichhardt Municipal Council completing the restoration work.

Exhibit
124/ 11
and Qs. 318
and 333 and
Committee
File 1970/5

116. The final cost of the job was \$14,489. This comprised \$12,910 which was charged directly to this item and the remainder which was a charge to the Department of Army.

Exhibit
124/ 11
Qs. 318,
and Qs. 334
to 341

117. This expenditure of only \$12,910 from a provision of \$40,000 included in this item resulted in a shortfall of \$2,709 in expenditure. The remaining shortfall of \$503 arose from minor variations of expected costs on other projects.

Exhibit
124/ 11

CONCLUSIONS

118. Your Committee accepts the Department's explanation.

(111) 361.2.01 Australian War Memorial-Administrative Expenses-Travelling
subsistence

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| Appropriation Act No.1 | 7,500 | 7,700 | 5,200 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 7,500 | 7,700 | 5,200 |
| TOTAL EXPENDITURE | 6,768 | 6,319 | 3,758 |
| UNEXPENDED FUNDS AVAILABLE | 732 | 1,381 | 1,442 |

119. This item provides for the cost of travelling and subsistence for the staff of the Australian War Memorial. Exhibit 124 / 12

120. We were informed that the majority of the expenditure under this item is taken up by the costs of meetings of the Board of Trustees for the Australian War Memorial. The witness explained that the estimates for 1969-70 were lower than in the previous two years due to the fact that in those years the estimates had included an overseas visit by the Director in 1967-68 while in 1968-69, arising from the extension to the War Memorial, a larger number of meetings of the Trustees was expected than actually took place. Q.350

121. It was stated that commitments entered into during 1969-70 confirmed the need for a cash requirement of about \$5,000 for a full year, the progressive commitments being:

| | |
|------------------------|-------|
| | 3 |
| As at end of September | 1,896 |
| As at end of December | 2,025 |
| As at end of March | 4,375 |
| As at end of May | 4,596 |
| As at end of June | 4,963 |

122. The witness informed us that \$1,296 of the total shortfall in expenditure was due to the non-receipt of claims against these provisions. The claims concerned applied to meetings of Trustees held during the year and for which travel vouchers had been issued. Subsequently the travel had been cancelled because of illness or other causes. It was stated that about one half of the \$1,296 related to commitments entered into in June 1970, but the balance was committed in sufficient time for payments to be made in 1969-70.

Exhibit 124/12 Q.355

123. However, the witness representing the War Memorial admitted that a weakness existed in the administration of his section in that the writing back of the commitment had not been notified to the Finance Branch of the Department of the Interior following cancellation of the travel.

Q.355

124. We were informed that the remaining \$146 of the \$1,442 shortfall comprised a claim against this item but which had been costed in error to Item 351/2/03. This clerical error was made in the Finance Branch of the Department of the Interior when payment was made on 22 April 1970 and was not discovered until July when it was too late to take corrective action.

Exhibit 124/12 and Qs.353,366

CONCLUSIONS

125. Your Committee notes from the evidence that a significant part of the shortfall in expenditure on this Item arose from the cancellation of travel arrangements made for members of the Board of Trustees of the Australian War Memorial for reasons beyond the control of the Australian War Memorial Administration.

126. The evidence reveals a weakness in that Administration, however, in that the Finance Branch of the Department of the Interior was not advised following the cancellation of travel arrangements. Your Committee trusts that appropriate action will be taken without delay to remedy the weakness disclosed.

127. Your Committee also notes that due to a clerical error in costing that occurred in April 1970 within the Finance Branch of the Department, an amount of \$146 was charged to Item 351/2/03. While the amount of this error is small, Your Committee is disturbed by the fact that it was not discovered in time for correction during the financial year. We trust that errors of this nature, which could relate to significant amounts, will be detected and rectified promptly in future.

- (iv) Item 362.4.03: Australian Capital Territory Services-General Services-Flat caretaking and maintenance.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 141,600 | 140,000 | 160,000 |
| Appropriation Act No.3 | - | 7,000 | 6,400 |
| Advance to the Treasurer | - | 12,300 | - |
| TOTAL FUNDS AVAILABLE | 141,600 | 159,300 | 166,400 |
| TOTAL EXPENDITURE | 141,455 | 158,812 | 158,734 |
| UNEXPENDED FUNDS AVAILABLE | 145 | 488 | 7,666 |

128. This item provides for operation and maintenance of boiler rooms, cleaning common areas, employment of caretakers and maintenance of electrical installations and public lighting of Commonwealth owned flats in Canberra.

129. Details of the expenditure result on this Item for the year 1969-70 are given in Table No. 1

Table No 1
Department of the Interior
Item No.362.4.03: Expenditure Result 1969-70

| <u>Item</u> | <u>Expenditure Result</u> | |
|-------------------------------------|---------------------------|---------------|
| | <u>Shortfall</u> | <u>Excess</u> |
| | \$ | \$ |
| <u>Northbourne Flats</u> | | |
| Fuel Oil | 681 | |
| Boiler Attendants wages | | 708 |
| <u>Currong Flats</u> | | |
| Fuel Oil | 2,378 | |
| Lift Maintenance | 874 | |
| Caretakers wages | | 2,707 |
| Contract cleaning-common areas | 5,565 | |
| Maintenance of electrical equipment | 453 | |
| Public Lighting | | 168 |
| Community T.V.Antenna Installation | 383 | |
| Other | 166 | |
| Total | 10,500 | 3,583 |

Source: Department of the Interior

130. We were informed that when the Additional Estimates were prepared it was expected that \$625 would be required for lift maintenance and \$8,725 for the maintenance of electrical equipment. A reduction of \$2,450 was expected in estimated expenditure on caretakers wages and \$500 on the maintenance of community television antenna installations. A net requirement of \$6,400 was therefore sought from the Additional Appropriation.

Exhibit
124 / 13

(i) Fuel Oil - Northbourne and Currong Flats

131. It was stated that the draft estimate for fuel oil for the Northbourne and Currong Flats for 1969-70 was based on expected expenditure in 1968-69. However, winter conditions during 1969-70 were such that expenditure on heating was \$3,059 less than the amount provided.

Exhibit
124 / 13
and 375 to
380

(ii) Lift Maintenance-Currong Flats

132. The shortfall in expenditure on lift maintenance in the Currong Flats was \$874 and was said to be due to an error in the identification of expenditure. It was explained that expenditure recorded for lift maintenance at the Currong Flats on 30 June 1970 was \$2,751. However, investigation revealed that an amount of \$851 had been incorrectly costed in error to Item 362/4/03 instead of to Item 362/4/07.

Exhibit
124 / 13
and Q.371

(iii) Caretakers Wages

133. We were informed that when the caretaker of the Northbourne Flats retired on 18 August 1969 it was decided not to employ a replacement for an experimental period. This decision was taken into account when the Additional Estimates were prepared. However, expenditure exceeded the Estimate by \$2,707 due primarily to a misunderstanding that occurred in respect of the wages of a cleaner/driver whose duties were similar in some respects to those of caretakers of flats. It was found on examination of employees time dockets that the charging head placed on the time docket was incorrect. Because of this charges were incorrectly made to Item 362/4/03.

Exhibit 124/13
and Q.374

(iv) Contract cleaning for all Flats - Common Areas

134. During the financial year 1969-70 the services of the contract cleaner at Northbourne Flats were terminated and for a period of four months, cleaning was undertaken by departmental cleaners. This resulted in a shortfall in expenditure of \$2,000 on the Item. Exhibit 124 /13

135. We were also informed that as from 1 July 1969 payment for cleaning contracts has been made monthly in arrears. This arrangement resulted in a shortfall of \$2,885 during the financial year 1969-70. In addition some contracts accepted during the year were at a lower rate than contracts entered into earlier. This led to a shortfall in expenditure of \$680. Exhibit 124/13

(v) Maintenance of Electrical Equipment

136. It was stated that the level of maintenance on electrical equipment varies according to its usage and the condition of the equipment. Based on pro-rata expenditure the Original Estimate of \$26,500 for this purpose was increased by \$8,725 to \$35,225. Actual expenditure amounted to \$34,772 leaving a shortfall of \$453. Exhibit 124/13 and Qs.381

(vi) Maintenance of Community Television Antenna Installations Exhibit 124/13

137. We were informed that the contract for the maintenance of the Television Antenna installation provides for quarterly payments and as from 1 July 1969 payment has been made quarterly in arrears. Three payments were made in 1969-70 as against a cash provision for four. This change resulted in a shortfall in expenditure of \$500. Payments made in respect of minor work not covered by contract reduced the shortfall in expenditure to \$383 to 391

(vii) Other Expenditure

138. Wage increases granted in the electrical trades and to boiler attendants in 1969-70 resulted in expenditure of \$876 more than the estimate for wages and public lighting. Exhibit 124 / 13

139. The need to replace garbage tins, door mats etc. was less than had been expected and resulted in a shortfall of \$166 in expenditure. Exhibit 124 / 13

140. We were informed that slot operated washing machines are installed in the laundries at Kanangra Court Flats. Revenue collected from these machines is credited to this Item, the purpose being to relate revenue to the actual cost of power consumption. Revenue collections amounted to only \$9 in 1967-68 and \$107 in 1968-69 and, due to their insignificance, these were not taken into account in formulating the estimate of expenditure for the Item in those years. In the process of examining the expected costs for 1969-70, the expected revenue from the machines was again ignored when in fact it proved to be \$749. The witness indicated that due to its significance, this amount should have been taken into account in formulating the Additional Estimates in 1969-70. Exhibit 124/13 and Q.392

141. The shortfall in expenditure on the item amounted to \$6,917, which when combined with the \$749 revenue from washing machines amounted to a net shortfall of \$7,666.

CONCLUSIONS

142. Your Committee accepts the Department's explanation with the exception of three matters. The evidence shows that due to an error in identifying expenditure relating to lift maintenance at the Currong Flats an amount of \$851 was charged to Item 362/4/03 instead of to Item 362/4/07. Also due to a misunderstanding that arose regarding the wages of a cleaner/driver an incorrect charge of \$2,077 was made to Item 362/4/03 in respect of caretakers wages.

The evidence also shows that expected revenue amounting to from slot-operated washing machines was overlooked when the Additional Estimates review was conducted in 1969-70. Your Committee believes that greater care should be exercised within the Department to avoid errors and misunderstandings of the types described.

(v) Item 684: Acquisition of Sites and Buildings

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 634,000 | 726,200 | 754,300 |
| Appropriation Act No.3 | 416,000 | - | 82,100 |
| Advance to the Treasurer | 192,000 | - | - |
| TOTAL FUNDS AVAILABLE | 1,242,000 | 726,200 | 836,400 |
| TOTAL EXPENDITURE | 1,241,410 | 417,915 | 771,385 |
| UNEXPENDED FUNDS AVAILABLE | 590 | 308,285 | 65,015 |

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

Additional Estimates

144. We were informed that the amount of 382,100 obtained in Appropriation Act No.3 was based on the estimated cash requirement for the supplementary items shown in Table No. and approved for inclusion in the 1969-70 acquisition programme. Each of the projects listed was expected to be completed in 1969-70. An amount of \$51,562 representing the expected shortfall in expenditure on other items in the programme was deducted from the total estimated expenditure to reach the amount included in the additional Estimates.

Exhibit
124/15
Q.339 and
Committee
File 1970/5

Table No. 2
Department of the Interior
Supplementary Items Approved for
Inclusion in the 1969-70 Acquisition Programme

| Item | Amount |
|------------------------|---------|
| | (\$) |
| <u>New South Wales</u> | |
| Singleton | 1,250 |
| <u>Queensland</u> | |
| Mourilyan | 125 |
| Townsville | 120,500 |
| Onkey | 10,000 |
| <u>Tasmania</u> | |
| Georgetown | 500 |
| Buckland | 1,200 |
| Total | 133,575 |

Source: Department of the Interior

145. The following elements in the acquisition programme were responsible for the shortfall in expenditure under the Item.

. Singleton, New South Wales

146. It was stated that eight property owners are involved in the acquisition of land for easement for a sewage effluent pipeline at Singleton, New South Wales. At the time of our inquiry in August 1970 one acquisition had been settled and negotiations for a second acquisition involving ~~ex~~ ^{ex} ~~change~~ ^{change} were preceeding.

Exhibit
124 /15

147. As titles to the remaining properties are held under the old system of conveyancing, the Deputy Crown Solicitor was unable to complete the search required to ensure that each owner has clear title to his property. In these circumstances a shortfall of \$1,140 occurred on this acquisition.

. Bandiana, Victoria

148. Provision of \$20,000 was made in the 1969-70 Acquisition Programme to acquire about fifty acres of land at Bandiana from the Farmers and Graziers Co-operative Company. The land was being acquired by the Company which, at the time of purchase had a scheme to develop the area. The Company, however, decided not to proceed with its plans and sought a buyer for the property. In these circumstances the Department decided to acquire the property from the Company.

Exhibit
124/15 and
Q.406

149. We were informed that during verbal negotiations that occurred early in September 1969 for the purchase of the property from the Company, it was agreed that the head vendor would give vacant possession of the property at settlement. At that time the Department sought Executive Council approval for the acquisition and asked the Company to confirm that possession would be given as agreed. On 22 September 1969 the Company wrote to the Department and stated that it held doubts as to whether settlement would be given because under their contract of sale

Exhibit
124/15
and Qs.400
to 409

it had been agreed that they should give the head vendor six months notice of intention to pay off the amount being paid for the property. On 30 October 1969 the Company stated that the head vendor from whom they were purchasing the property was insisting on the period of six months notice before possession could be given. The Company, however, had declined to give the head vendor notice of intention to pay off its debt on the property until it had entered into a commitment of sale with the Commonwealth.

150. It was stated that on 19 November 1969, the Department asked the Company to submit a contract of sale. This was to be on the basis of a deposit of \$5,000 and the balance in six months, which was the period that the head vendor had stipulated before being required to vacate the property. The Department received the contract of sale on 4 December 1969 and it showed that the Department was requested to acquire more land than it had contracted to purchase. The land had been subdivided into lots 1 and 2. While the Department was interested in lot No.1 the Company insisted that lot No.2 be included at no additional compensation. In these circumstances it was necessary for the Department to make inquiries from the Department of the Army as to whether the additional land, involving one acre, one rood, twenty-two perches, should be acquired. On 22 April 1970 the Department of the Army confirmed that it had no objection to this additional acquisition.

Exhibit
124 / 15
and Qs. 411 to
413

151. We were informed that the matter was then referred to the Deputy Crown Solicitor. Investigations revealed that the necessary notice had not been served by the Company on the head vendor when the Department entered into its commitment with the Company. In these circumstances the Deputy Crown Solicitor considered that it would be bad practice and most undesirable for full payment to be effected. At that stage therefore a deposit of \$5,000 only was paid, leaving a shortfall of \$15,500 in expenditure

Exhibit
124 / 15
and Q.410

on the project.

. Balcombe, Victoria.

152. We were informed that provision was made in the 1969-70 Acquisition Programme for funds to purchase thirty-eight acres of land at an estimated cost of \$37,000. The acquisition comprised two areas, one being about five acres of privately owned land and the other about thirty-three acres of Crown land. Payment of \$6,753 for the privately owned land was effected on 2 December 1969.

Exhibit
124/15

153. On 9 May 1969 the State Government authority advised the Department that, subject to receipt and consideration of reports from four State Departments, approval would be sought to sell the Crown land to the Commonwealth Government. On this basis funds were sought in the Original Appropriation.

Exhibit
124 / 15

154. It was claimed that despite several reminders, investigations made by the State Authorities were very protracted and it was not until 24 June 1970 that advice was received to the effect that the State Government was unwilling to sell the major portion of the area, which included a creek and reserve, and would prefer the Commonwealth Government to accept a long term lease of the land in lieu of acquisition. In these circumstances there was a shortfall in expenditure of \$30,247 on this acquisition.

Exhibit
124 / 15
and Q.425

. South Kensington, Victoria.

155. Provision was made in the 1969-70 Acquisition Programme to purchase an area of land 1,000'x32' at an estimated cost of \$26,000 being the price sought by the owner, the Melbourne City Council. We were informed that valuations on the property were obtained by the Department of the Interior in 1964 and 1966. In 1969 the taxation valuation of the property was \$23,500.

Exhibit
124 / 15
and Q.425

156. It was explained that negotiations for the land commenced in 1964 when it was offered by the Melbourne City Council to the Commonwealth. When the land was included in the acquisitions programme in August 1969, negotiations were commenced with the Melbourne City Council to effect a price reduction. Q.426

157. It was stated that in mid-February 1970 the Council agreed to sell the land for \$24,750 and executive council approval for purchase at that price was obtained on 16 March 1970. On 25 March 1970 the Council advised the Department that it was seeking the approval of the Governor-in-Council to a sale of the land to the Commonwealth. On 20 May 1970 the Council advised the Department that documentation could proceed as the Minister for local Government had agreed to recommend the sale to the Governor-in-Council. Q.426

158. On 3 June 1970 the Department instructed the Deputy Crown Solicitor to confer with the Council's Solicitor in order to arrange a settlement. However, due to an unforeseen temporary staff shortage in the office of the Deputy Crown Solicitor, it was not possible to effect settlement before 30 June. On 21 July the Council submitted a contract of sale. On 30 July, by arrangement with the Council, it was decided that it would be sufficient for the Deputy Crown Solicitor to submit a transfer to the Council, evidently to ensure that the transfer would be given to the Governor-in-Council who would approve the actual transfer document. The shortfall as at 30 June 1970 on this project amounted to \$26,000. Exhibit 124 /15 Q.426

. Net Shortfall

159. The shortfall in expenditure on the items referred to above amounted to \$72,887. However, as additional funds amounting to \$7,872 were required to settle other acquisitions in Victoria, Queensland and Tasmania the overall shortfall on the Item was reduced to \$65,015. Exhibit 124 /15

CONCLUSIONS

160. Your Committee accepts the Department's explanation.

(vi) Item 855.1.18: Capital Works and Services-Acquisition of Sites
and Buildings-Department of National Development

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | - | - | 5,900 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | 3,636 | - |
| TOTAL FUNDS AVAILABLE | - | 3,636 | 5,900 |
| TOTAL EXPENDITURE | - | 3,636 | 3,630 |
| UNEXPENDED FUNDS AVAILABLE | - | - | 2,270 |

161. This item provides for the acquisition of Sites
and Buildings for the Department of National Development.

162. The 1969-70 programme for the acquisition of
Geodetic station sites included a forty acre site at Mount
Gambier, South Australia at an estimated cost of \$3,200; and sites
at Aitkin, Bellarine, Hooghly, Bambadin, Clay, Bass Hill and Yarrawonga,
at a total estimated cost of \$2,750. Exhibit
124/16 and
Q.428

• Yarrawonga and Hooghly Sites
163. We were informed that while the owners of the
Yarrawonga and Hooghly sites were reluctant to sell their land they
agreed to grant the Commonwealth Government a ninety-nine year lease
at a nominal rental. Exhibit
124/16

164. We were informed that on 4 December 1968 the
Department of National Development requested the Department of the
Interior to investigate a site at Yarrawonga. On 23 January 1969
the latter Department informed the former that the value of the
site had been estimated at \$400. On 30 April 1969 the owner was
asked if he wished to sell the site and if so the price required.
On 24 August the owner advised the Department that he was not
willing to sell the site but would grant a lease to the Common-
wealth. The Department of National Development advised the
Department of the Interior on 8 September 1969 that it had no Q.430

objection to a lease of the site being arranged. The lease, for ninety-nine years, at \$10 per annum was finalised on 1 September 1970.

165. On 4 December 1968 the Department of National Development requested the Department of the Interior to investigate a site at Hooghly. The Department was advised on 23 January 1969 that the estimated value was \$400. On 30 April 1969 a proposal to purchase was made to the owner. Q.431

166. On 25 June the owner advised the Department he would not sell but was prepared to lease the block to the Commonwealth. The Department of the Interior received a lease document on 1 August 1969 and the leasing proposal was submitted to the Department of National Development on 6 August 1969. On 21 August 1969 the Department of National Development notified the Department of the Interior that it had no objections to the lease and at the time of our Inquiry in August 1970 negotiations were being finalised.

167. There was a shortfall of \$800. in expenditure in respect of the Yarrawonga and Hooghly sites. Exhibit 124/16

. Bellarine Site

168. On 4 December 1968 the Department of the Interior was asked to undertake an investigation of the Bellarine Site. On 23 January 1969 an estimate of the price was given to the Department of National Development. On 12 May 1969 the owner of the land advised the Department of the Interior that he was not prepared to sell the site. This decision was conveyed to the Department of National Development on 23 June 1969 together with the advice that the owner had no objections to the Commonwealth continuing to use the land. Q.433

169. On 8 July 1969 the Department of National Development advised the Department of the Interior to defer action on the site as other sites were being investigated. On 4 September Q.433

1969 the owner was asked if he would consider granting a long term lease and on 14 September he advised that while he would not grant a lease he had no objections to the Department of National Development continuing to use the site. This was reported to the Department of National Development on 24 November 1969. On 3 December 1969 the Department of National Development requested that further action be deferred pending the introduction of the Commonwealth Mapping Act. On 25 June 1970 it was determined that the Department of the Interior had been investigating the wrong site. Evidently instruments located on the land and belonging to another authority had been assumed by the owner of the site to belong to the Commonwealth Government. On 29 June 1970 the Department of National Development informed the Department of the Interior that it had given that Department incorrect information in respect of the site. Since that time an investigation has been made into the location of the site required and this was finally determined on 10 August 1970.

170. The witness representing the Department of the Interior informed us that precise real property descriptions of land are obtained in respect of sites that it proposes to acquire. In this instance, however, the circumstances were such that the facts seemed to indicate that the site being investigated was the one required. In the circumstances there was a shortfall in expenditure of \$900 on the acquisition of the Bellarine site.

Q.440

Exhibit
124/16

. Bass Hill Site

171. We were informed that on 15 July 1969 the owner of the Bass Hill site informed the Department of the Interior that he was prepared to sell the site to the Commonwealth, subject to suitable access arrangements being made. A request was then made by the Property Branch of the Department for the Senior Surveyor to undertake a survey of the site and of the access road.

Exhibit
124/16
and Q.442

172. The survey work was carried out and the plan

Exhibit
724 and
Q.442

submitted to the Titles Office, Melbourne in January 1970. On 19 May approval was obtained to acquire the land shown on the plan of survey, and on 21 May the Deputy Crown Solicitor was instructed to settle the acquisition. It was said that there are three mortgages involved with this proposal. In the circumstances settlement could not be completed prior to June 30 and there was a shortfall in expenditure of \$400.

. Clay Site

173. On 23 May 1969 the owner of the Clay site agreed to sell the site to the Commonwealth Government and on 4 September 1969 the Department of the Interior arranged for the site to be surveyed. The survey was completed and a report sent to the Titles Office in February 1970. The plan of survey was not approved until April 1970. As a general law title was involved in the acquisition, the approval of the owner was sought to use the compulsory provision of the Lands Acquisition Act and a Certificate of Title was obtained. Q.443

174. It was not possible to complete the acquisition before the close of the financial year and a shortfall of \$200 occurred in expenditure. Exhibit 124/16

. Net Shortfall

175. The shortfall on the items referred to amounted to \$2,300. As an additional \$30 was required to complete the acquisition of a site at Bambadin the net shortfall was \$2,270. Exhibit 124/16

CONCLUSIONS

176. On the basis of the evidence, it appears to Your Committee that funds were sought prematurely for each proposed acquisition included in the Programme under this Item. In the case of the Bellarine proposal Your Committee is also disturbed by the fact that the Department of National Development had evidently provided the Department of the Interior with incorrect information regarding the site to be investigated. Errors of this nature are time-wasting and also wasteful of the resources of the Department of the Interior.

Chapter 4
Department of National Development

Item 394/1/01 - Division of National Mapping, Salaries and
Payments in the nature of Salary Salaries and
allowances.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 889,000 | 1,030,000 | 1,291,500 |
| Appropriation Act No.3 | 53,000 | 121,000 | 53,000 |
| Advance to the Treasurer | <u>5,451</u> | <u>9,000</u> | <u>-</u> |
| TOTAL FUNDS AVAILABLE | 947,451 | 1,160,000 | 1,344,500 |
| TOTAL EXPENDITURE | <u>937,430</u> | <u>1,158,552</u> | <u>1,297,054</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>10,021</u> | <u>1,448</u> | <u>47,446</u> |

177. This Item provides for the payment of salaries and all allowances in the nature of salary (including allowances payable to officers unable to obtain suitable quarters) to personnel of the Division of National Mapping. Exhibit 124 / 17

178. We were informed that the Original Appropriation was based on an average full-time employment of 307 personnel. This was expected to attain 308 for the full year with 335 personnel in employment as at 30 June, 1970.

179. An amount of \$53,000 was sought in the Additional Estimates to cover the following factors:

| | |
|---|---------------|
| | \$ |
| (a) National Wage Case | 18,500 |
| (b) Arbitration Determinations | 18,000 |
| (c) Public Service Regulation 97 allowance | 2,000 |
| (d) Increased rates for allowance in lieu of overtime | 10,000 |
| (e) Additional staff | <u>4,500</u> |
| Total: | <u>53,000</u> |

180. It was stated that when the Additional Estimates review was undertaken, expenditure under the Item as at 28 February 1970 had reached \$800,232. This represented an unfavourable variation of \$14,000 compared with estimated expenditure at that time but this variation did not take into account the fact that \$18,500 was required to cover a 3 per cent salary increase arising from the National Wage Case and payable in March 1970.

Qs. 448, 449
and 453.

181. In relation to the Division's staffing in the context of the Original and Additional Estimates we were informed that the Division has been acting under a Cabinet approval given late in 1965 to map Australia over a period of 10 years. Approval was given to cover increases in expenditure for staff, equipment and general expenses over the 10 year period. In recent years the Division has sought additional staff intermittently in accordance with the approved programme. Approvals for 22 additional staff were received in December 1969 and, on the basis of successful previous recruiting, it was expected that this number would be obtained.

Q. 449

182. It was claimed that the shortfall in expenditure was due mainly to an unexpected decrease in the overall average employment for the year. Recruitment of staff during the period March to June 1970 proved unsuccessful to the extent that only 308 persons were in employment as at 30 June 1970 compared with an expected 335, giving an average full time employment of 300 personnel for the year. This result was due also in part to the fact that while staff losses in recent years have averaged about 50 per annum, they reached 76 in 1969-70. Of these losses 40 occurred during the six months ended 30 June. The shortfall in expenditure arising from this staffing experience amounted to \$33,000.

Exhibit
124 / 17
and Qs. 450 to
453

183. We were informed that field season activities normally commence in early April and extend until approximately mid-November and it is during this period that employment of personnel is at its peak, with consequent high expenditure for allowances such as District Allowance and Allowance-in-lieu of overtime, both payable

from this item. Delays occasioned by shortages of staff and vehicles and difficulties arising from aircraft hire, occurred in the commencement of the 1970 field activities resulting in shortfalls of expenditure for both District Allowance and Allowance-in-lieu of overtime to the extent of some \$15,000. Exhibit 124/ 17 and Q.455

184. In commenting generally on the Item the witness stated that, at the time of its preparation, the Additional Estimate for the Item appeared to be satisfactory in view of past experience. In retrospect, however, he considered that the Additional Estimate had been framed, perhaps on an optimistic basis. Q.457

CONCLUSIONS

185. Your Committee accepts the Department's explanation. On the basis of the evidence, it believes that the Additional Estimate represented a realistic assessment of the amount required for the remainder of the financial year, having regard to the information available to the Department when the Additional Estimate was formulated.

Chapter 5

Postmaster-General's Department

Item 405/3/03 - Broadcasting and Television Services, Technical and Other Services-Sound Broadcasting and Television, Subsidy to commercial broadcasting stations for landline services for news relays.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 70,000 | 82,000 | 81,000 |
| Appropriation Act No.3 | 7,000 | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 77,000 | 82,000 | 81,000 |
| TOTAL EXPENDITURE | <u>76,310</u> | <u>79,667</u> | <u>52,748</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>690</u> | <u>2,333</u> | <u>28,252</u> |

186. This item provides for the cost of concessions granted to commercial broadcasting stations for relays of approved news services. The charge to the item is the amount which would normally be payable for the provision of broadcast relay facilities, less an amount of £104 per annum paid by each commercial broadcasting station which avails itself of the news relay facilities.

187. We were informed that \$23,850 of the shortfall that occurred in expenditure under this Item was due to the withdrawal of the request for news relay facilities by 13 commercial broadcasting stations. About one half of the withdrawals occurred on 19 May 1969 and one on 1 June 1969. The remainder occurred during 1969-70.

Exhibit
124/18
and Qs.484
and 485

188. In addition it was stated that during the year, revised minimum tariffs for part-time lines used for broadcast relay purposes and a standard charge for setting up and testing relay circuits were introduced and contributed to the shortfall in expenditure. The witness informed us that the basis of charging was changed in 1969 and that

Exhibit
124/18
and Q.483

the implications involved in this change should have been recognised before the conclusion was reached with the Department of the Treasury in June 1969 that a subsidy of \$81,000 was required for 1969-70. However the implications of the changed basis of subsidy were simply overlooked at that stage.

CONCLUSIONS

189. Although the closing date for the Original Estimates for 1969-70 was 30 April 1969, Your Committee notes the remark made by the witness that a change that occurred in the basis of subsidy in May 1969 should have been taken into account when the Department settled its estimate with the Department of the Treasury in June 1969. Your Committee regards as unsatisfactory the fact that the implications inherent in that change were overlooked at that time.

190. In the present case Your Committee believes that the withdrawal of requests for relay facilities by about one half of the commercial broadcasting stations in May 1969 should also have been taken into account when the Department settled its estimate with the Department of the Treasury in June 1969.

Chapter 6
Prime Minister's Department

Item 444/2/04 ✓ Office of Aboriginal Affairs, Administrative Expenses,
Publications.

| <u>Available Funds</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | - | 20,000 | 25,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | - | 20,000 | 25,000 |
| TOTAL EXPENDITURE | - | 7,995 | 14,979 |
| UNEXPENDED AVAILABLE FUNDS | - | 12,005 | 10,021 |

191. The purpose of this Item is to provide for the production of information and publicity material on Aborigines on an Australia-wide basis and publicity material for National Aborigines Day. Exhibit 124 / 19

192. The witness informed us that the Office of Aboriginal Affairs was created in November 1967 and came into operation in February 1968. At that stage it established a committee on publications which it hoped would provide it with guidance on the manner in which it could produce the very considerable amount of information material required by the Commonwealth for use in Australia and abroad. The committee had been a failure and the Council of Aboriginal Affairs had found it necessary to give increasing attention to publications matters. These matters, however, had not been accorded a high priority by the Council. Qs. 493 & 494

193. We were informed that when the Estimate for 1969-70 was formulated, it had been intended that the office of Aboriginal Affairs should undertake the preparation and publication of texts

to meet the substantial demands made by the public for information on Aborigines. \$12,000 was included in the Estimate for this purpose and \$8,983 was included for publications ordered but not delivered in 1968-69. The remaining \$4,000 was provided to enable the office to purchase some existing works.

Exhibit
124/19
and Q. 493

194. It was explained that staff shortages and the growth of the operational burden of the Office's work had prevented it from preparing the required texts. In this regard the witness stated that the staff establishment had been increased from 10 at the outset to 37 by August 1970 but, as at that date 6 positions were unfilled. These positions in particular were required to engage in text preparation. In addition the work of the Office has developed in a manner different to that which had been expected. It had been intended that the Office would be concerned with policy formulation and that the policies concerned would be implemented by other departments, State Instrumentalities and private organisations. While this line of approach had been followed, the Office had experienced great difficulty in ensuring that departments and other organisations carried out projects as decided by the Government.

Exhibit
124/9
and Q.494

195. We were informed that since February 1968, the Council of Aboriginal Affairs has considered the problem of text preparation on several occasions. At the beginning of 1969-70 the Council was still hopeful that the Office of Aboriginal Affairs would be able to produce the texts but this proved impossible. Finally, in April 1970 the Council authorised its Chairman, Dr.H.C. Coombs, to discuss the matter with outside consultants, Unisearch Limited, to ascertain whether they could prepare and publish the texts.

Exhibit
124 / 19, Qs.495
501 and 504

196. Dr. Coombs wrote to Unisearch Limited on 22 April 1970 asking whether the company could produce the texts required. The company replied on 5 May indicating their interest and seeking a conference. Dr. Coombs visited the company on 28 May and it was agreed that 3 school text books and 4 pamphlets should be produced at a cost of \$12,000. On 12 June Ministerial approval was given to proceed with the project.

Exhibit
124 / 19

and Qs. 497 and
504

197. It was intended that \$8,500 should be paid in advance in 1969-70 so that the project could commence immediately. The witness added that Unisearch Limited would need to incur fairly substantial expenses and, being a non-profit making organisation does not have other funds on which to draw.

Q.504

198. However, a major cause of delay in making an advance payment arose from the need to obtain the permission of the Commonwealth Stores Supply and Tender Board as the Office of Aboriginal Affairs did not wish to advertise its requirement. It felt that unfortunate public consequences could arise if it were to advertise generally a need for certain texts and it considered that Unisearch Limited, which had undertaken work for it previously was a most competent body to undertake the work. A departmental submission seeking Stores, Supply and Tender Board approval to engage Unisearch Limited on the project without advertising for tenders was despatched on 24 June. Verbal advice of the Board's concurrence was received on 30 June and confirmed on 3 July.

Exhibit 124/19
Qs. 501 and 504

199. A further factor that contributed to the shortfall in expenditure related to an alteration made to the planned programme. At an interdepartmental meeting held on 30 September 1969 the Director of the Office of Aboriginal Affairs was requested to arrange for his office to provide publications suitable for use at Overseas Posts. On 4 May 1970 the Minister for External Affairs wrote to the

Minister-in-Charge of Aboriginal Affairs requesting the urgent supply of the material. Consequently, on 14 May 1970 the Minister-in-Charge directed the Office to prepare suitable material. This requirement was taken into account in Dr. Coombs' discussions with Unisearch Limited, since, because of the staff shortage and excessive work load the Office was unable to undertake the task itself.

200. In view of the financial history of this Item we questioned the witness as to whether consideration had been given to the framing of a more conservative original estimate on the basis of using the Additional Estimates later in 1969-70. The witness informed us, however, that he had not considered this course of action. Q.508

CONCLUSIONS

201. In considering the circumstances relating to this Item Your Committee has taken into account the recent establishment of the Office of Aboriginal Affairs and the developmental problems that have arisen.

202. The evidence shows that the problems connected with publications work were recognised from the inception of the Office and were the major cause of the shortfall in expenditure that occurred in 1968-69. Your Committee believes that, in these circumstances the Office would have been well advised to frame its Original Estimate for 1969-70 on a more realistic basis and to have sought further funds, if necessary, in the Additional Estimates. We are disturbed by the fact that this course of action did not occur to the Director of the Office of Aboriginal Affairs.

203. Your Committee also believes that the Office should have taken action at an earlier stage in 1969-70 to secure the assistance of external organisations in the preparation and publication of texts for its use. In this regard we note with

concern that following the failure of the publications committee which was set up in 1968, the Council had evidently not accorded a high priority to publication matters. We think that this contributed significantly to the difficulties experienced in 1969-70.

Chapter 7
Commonwealth Railways

(1) 490.1.02: Trans-Australian Railway - Stores and materials

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 3,787,000 | 4,176,000 | 4,231,000 |
| Appropriation Act No.3 | 22,000 | 99,000 | 156,000 |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 3,809,000 | 4,275,000 | 4,387,000 |
| TOTAL EXPENDITURE | 3,658,006 | 4,236,697 | 4,251,271 |
| UNEXPENDED FUNDS AVAILABLE | 150,994 | 38,303 | 135,729 |

204. This item provides for the estimated cost of Stores and Materials necessary for the maintenance and operation of services on the Trans-Australian Railway and chargeable to the working expenses of that Railway. Exhibit 124/20

205. We were informed that \$156,000 dollars sought in the Appropriation Act No.3 in 1969-70 comprised \$40,000 for the renewal of ten thousand additional sleepers at \$4 each which incorporated a price increase; \$75,000 for fifteen thousand tons of extra rails, which had risen in price to almost \$5 per ton; and \$41,000 to cover increased costs involved in the running of an estimated two hundred and seventy two thousand miles greater than had been anticipated originally. The \$41,000 also contained an element for increased costs for fuel and lubricating oils. Qs.529,532,533 & 572

206. We were informed that the \$135,000 which remained unspent at the close of the financial year related to the amount of \$4,231,000 sought in the Original Estimates. The witness stated that this amount comprised accounts for expenses which had not been received from the States' Railways systems, for joint operations introduced during 1969 and 1970. He added that these debits were Qs.528,532,533, 535,537 and 573

estimated to total \$271,000, this figure being based on the Commonwealth Railways' own experience and intuition.

207. The first of the joint operations referred to, Qs. 533, 538, 541 involved the Western Australian and Commonwealth Railways between to 550 and 558. Kalgoorlie and Perth for which a fairly well based working relationship has been established. The other joint operation involved the railways of Western Australia, South Australia, New South Wales and the Commonwealth between Sydney and Perth. This quadruple operation between the Railway systems was said to have created operating difficulties. The witness explained that the debits arose from the operations involving the introduction of the "Indian-Pacific" service on 1 March 1970, a bi-weekly passenger service operating both ways between Sydney and Perth.

208. We were informed that many conferences, meeting Exhibit 124/20 and exchanges of correspondence have taken place between officers Qs. 528, 532, 533 of the four railway systems in order to draft working arrangements 540, 553 to 555 and agreements for the distribution of debits and credits on 561 and 562 operating costs and repairs. However, some details are not yet finally resolved. Although these discussions are continuing and the Commonwealth Railways hopes to overcome its problems the witness could not offer firm suggestions as to how this might be achieved.

209. The debits mentioned by the witnesses referred Qs. 533, 535, 541 specifically to costs incurred in operations of the trains on the and 542 particular railway system concerned and included dining car operation, train crews and repairs to rolling stock.

210. It was explained that the Commonwealth Railways is Q. 549 divided into operating sections. Of these, the Traffic Section is responsible for the operation of the trains and the dining cars and the Mechanical Engineering Branch is responsible for the operation of locomotives and maintenance of the coaches. It was stated that the Commonwealth Railways maintains a complete analysis of all costs

associated with repairs to vehicle, costs of foodstuffs for the dining cars and all other costs associated therewith. The witness added that the railways systems throughout Australia maintain common practice in that they work from common classifications of operating costs. It is expected by the Commonwealth Railways that a complete detailed statement will be received from each of the other systems involved when agreement on the distribution of these costs between the various systems is reached. This statement is expected to show the itemised expenditure, usually on a four weekly basis, under each of these individual accounts, Q.549

211. In turn, the Commonwealth Railways proposes to submit to the other systems, statements showing the expenditure incurred under these headings and the amounts which the other systems will be required to pay for their proportion of the costs incurred by the Commonwealth Railways. This arrangement is already in operation with the Western Australian Railways. Q.549

212. It was stated that the Commonwealth Railways does not know what costs the other state systems would incur, even though a strict arrangement with the States' systems and a complete breakdown of individual items exists together with a definite set of accounts under specific headings. Qs.547 to 549

213. It was also stated that, resulting from the operations mentioned, accounts had not been received by Commonwealth Railways at the time of our Inquiry in August 1970. The witness claimed that every effort is being made by his organisation to ensure that such accounts are forthcoming. The other systems, particularly Western Australia, have been charged for some of these costs incurred by Commonwealth Railways. Qs.532,533 and 543

214. We were informed that it had originally been proposed by the Commonwealth Railways that its own crews, working in shifts should entirely man the trains for the complete journey between Sydney and Perth Qs.538,561,563

as this would obviate a number of difficulties that are now arising. However, the State Railway systems required that their own crews should operate on their systems. It was agreed that New South Wales crews should operate between Sydney and Port Pirie, Commonwealth Railways Crews between Port Pirie and Kalgoorlie and Western Australian Railways crews between Kalgoorlie and Perth. It was also stated that industrial problems occur in the placing and returning of crews at the cross-over point at Port Pirie when trains run late.

215. It was stated that a further feature of the Qs.538,553
crewing problems arose in relation to the operation of the dining cars. There was a need to take stock of foodstuffs and saleables in order that the items consumed could be charged to the system on which they were used. However, the train timetable made this impracticable.

216. We were informed that a system of mutual trust Qs.556 to 559,
existed between railway systems for repairs to rolling stock. This 568 to 571,639
equipment is repaired by the authority of the particular system on which it was damaged. An appropriate billing is made to the authority owning the repaired rolling stock. There is no procedure however, for checking the validity of these accounts. It was explained to us that this type of problem has not arisen in previous years as the dual and quadruple working arrangements had not existed.

CONCLUSIONS

217. It appears to Your Committee from the evidence that Commonwealth Railways sought funds prematurely in the Original Estimates to cover certain costs associated with the uniform gauge railway operations. It was primarily a failure on the part of the Commonwealth and State Railways concerned to reach and implement agreement in certain areas of combined operations that gave rise to the shortfall on the Item.

218. The evidence also indicates that, having regard to its known problems in the Commonwealth/State railway operations area, Commonwealth Railways was not justified in seeking a further amount of \$156,000 in the Additional Estimates under this Item.

219. In each of the years 1967-68 to 1969-70 inclusive, further amounts have been sought by Commonwealth Railways in the Additional Estimates and in each of these years comparatively large shortfalls have occurred in expenditure. Your Committee believes that the consistency of this situation justifies the view that a greater degree of realism is required in the formulation of the Original and Additional Estimates under this Item.

220. In regard to rolling stock we note that repairs to such equipment are made by the particular railways system on which the equipment is located when repairs are required. While appropriate billing for this work evidently exists between the railway authorities concerned, the evidence shows that no procedure has been evolved to enable the validity of the accounts submitted to be checked. Your Committee regards this situation as most unsatisfactory and believes that it should be rectified without delay

221. Finally we would observe that the submission tendered by Commonwealth Railways in respect of this Item was grossly inadequate in the degree of detail supplied. Your Committee has expressed its dissatisfaction in this regard on many occasions and would invite specific attention to Treasury Circular 66/385 of 10 October 1970 wherein it was stated:-

"In its 118th Report the Committee invited attention to cases where witnesses who appeared were inadequately briefed on matters of fact referred to in departmental submissions. When tabling that Report in Parliament the Chairman commented specifically on the problem and expressed the hope that Permanent Heads would again be circularised on the importance of thorough briefing and accuracy of departmental submissions by those officers in departments who are likely to be concerned with the preparation of material for the Committee or may be required to appear in person at future public hearings. Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the inquiry.

It would be appreciated if this circular could be brought to the attention of all officers of your Department who become concerned with the preparation of written material for the Committee or are required to attend in person at future hearings of the Committee and all Commonwealth authorities whose affairs come under the administration of your Minister."

(11) 490.1.03: Trans-Australian Railway-Administrative Expenses

| <u>Funds Available.</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 809,000 | 834,000 | 966,000 |
| Appropriation Act No.3 | - | 94,000 | 151,000 |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 809,000 | 928,000 | 1,117,000 |
| TOTAL EXPENDITURE | 804,186 | 906,272 | 1,066,339 |
| UNEXPENDED FUNDS AVAILABLE | 4,814 | 21,728 | 50,661 |

222. This sub-division covers expenditure of an Exhibit incidental nature not directly chargeable to sub-divisions 1 and 2 124 / 21 of Trans-Australian Railway Working Expenditure.

223. It was stated that this item represents an Qs.575, aggregate of all costs which are not directly salaries and wages 574 or stores and material costs. The estimates are formulated from information provided by all Branches of the Commonwealth Railways in detailed statements of amounts that these branches consider will be their requirement for the forthcoming financial year. The funds estimated to be required in 1969-70 are shown in Table No.3. Expenditure by each Branch for that year, together with available funds, is shown in Table No.4.

Table No.3Commonwealth Railways

Item: 490/1/03 - Trans-Australian Railways-Administrative Expenses

Summary of Estimates: 1969-70

| Branch | Original Estimate | Revised Estimate | Variations | |
|---|-------------------|------------------|------------|----------|
| | | | Increase | Decrease |
| | \$ | \$ | \$ | \$ |
| Transportation | 529,000 | 623,900 | 94,900 | |
| Way and Works | 164,800 | 148,400 | 24,500 | 40,900 |
| Mechanical Engineering | 115,100 | 122,700 | 9,100 | 1,500 |
| Other (Stores, Accounts and Audit, Publicity and Secretary's) | 158,000 | 178,500 | 24,500 | 4,000 |
| Accident and Insurance Claims | - | 43,300 | 43,300 | - |
| TOTAL | 966,900 | 1,116,800 | 196,300 | 46,400 |
| NET VARIATION | | | 149,900 | |
| Total Funds Available | 966,000 | 1,117,000 | 151,000 | |

Source: Commonwealth Railways.

Table No.4

Commonwealth Railways

Item 490/1/03: - Trans-Australian Railway - Administrative Expenses

Summary of Estimated and Actual Expenditure: 1969-70

| Branch | Revised Estimate | Actual Expenditure | Expenditure Variation | |
|--|------------------|--------------------|-----------------------|----------|
| | | | Shortfall | Excess |
| Transportation | \$ 623,900 | \$ 546,200 | \$ 83,100 | \$ 5,400 |
| Ways and Works | 148,400 | 166,800 | 31,300 | 49,700 |
| Mechanical Engineering | 122,700 | 105,400 | 27,840 | 10,540 |
| Other(Stores,Accounts and Audit,Publicity and Secretary's) | 178,500 | 173,900 | 9,450 | 4,850 |
| Accident & Insurance Claims | 43,300 | 50,500 | | 7,200 |
| Totals | 1,116,800 | 1,042,800 | 151,690 | 77,690 |
| Net Variations | | | 74,000 | |
| Adjustment in respect of items paid from Trans W.E.490.1.03 chargeable against other votes. Amount to be transferred prior to close of financial year estimated, as details not available until close of financial year. Adjustment to be allowed for in revised estimates for 1970/71 | | 23,645 | 23,645 | |
| | | 1,066,445 | 50,355 | |
| Total Funds Available | 1,117,000 | 1,066,339 | 50,661 | |

Source: Commonwealth Railways.

Table No. 5
Commonwealth Railways

Item 490/1/03- Trans-Australian Railway - Administrative Expenses

Items of Significant Under or Over Expenditure: 1969-70

| Branch and Item | Revised Estimate | Variation on Original Estimate | Expend- iture | Expenditure Variation Under(-) or Over(+) on Provided Funds |
|--|---------------------|---|------------------|---|
| | \$ | \$ | \$ | \$ |
| <u>Transportation Branch</u> | | | | |
| General Superintendence | 40,000 | + 15,000 | 36,000 | - 4,000 |
| Lights for Stations, Yards etc | 12,000 | + 7,000 | 10,100 | - 1,900 |
| Other Expenses of Stations- Yards and Signal Services | 150,000 | + 10,000 | 140,600 | - 9,400 |
| Other Expenses (includes demurrage) | 120,000 | + 4,800 | 57,400 | -62,600 |
| Supplies for carriages | 35,000 | - | 30,700 | - 4,300 |
| Dining Cars | 9,000 | - | 11,700 | + 2,700 |
| <u>Way and Works Branch</u> | | | | |
| Roadways, Crossings etc. | 8,000 | + 3,000 | 11,300 | + 3,300 |
| Traffic & General Buildings | 20,000 | + 10,000 | 7,400 | -12,600 |
| Rollingstock Buildings | 7,000 | - 2,000 | 200 | - 6,800 |
| Residences-Non Rental | 2,000 | - 1,000 | 800 | - 1,200 |
| " -Rent Producing | 35,000 | - 35,000 | 47,400 | +12,400 |
| Water Services | 5,000 | - | 3,200 | - 1,800 |
| Signals, Telegraph Lines, etc. | 6,300 | - 1,900 | 4,400 | - 1,900 |
| Preliminary Works A/c Whyalla Railway | 6,000 | + 6,000 | 39,700 | +33,700 |
| <u>Mechanical Engineering Branch</u> | | | | |
| Running Shed Supplies | 500 | - 500 | 800 | + 300 |
| Repairs to Locomotives | 85,000 | + 7,600 | 70,000 | -15,000 |
| " " Coaching Stock | 8,000 | - | 1,600 | - 6,400 |
| " " Goods Vehicles | 11,000 | - 1,000 | 5,100 | - 5,900 |
| Purchased Power | 7,500 | - | 17,500 | +10,000 |
| <u>Other Branches</u> | | | | |
| Publicity | 67,750 | + 18,750 | 58,500 | - 9,250 |
| Secretary's | 62,450 | + 5,650 | 66,000 | + 3,550 |
| Accident and Insurance Claims | 43,300 | + 43,300 | 50,500 | + 7,200 |

Source: Commonwealth Railways.

224. Table No. 5 indicates that the most significant shortfalls in expenditure was \$62,600 for General Expenses for the Transportation Branch; \$12,600 for Traffic and General Buildings for the Way and Works Branch and \$27,300 for repairs to locomotives and rolling stock by the Mechanical Engineering Branch. The major excess expenditures were \$12,400 for rent-producing residences for the Way and Works Branch, \$33,700 for the preliminary work account for the Whyalla Railway under control of the Way and Works Branch and \$10,000 for purchased power for the Mechanical Engineering Branch.

Committee
File
1970/5

. General Expenses

225. We were informed that \$120,000 was provided for demurrage charges under general expenses. It was stated that when the estimates were prepared, it was not clear what amount would be involved in payment for these charges on freight vehicles owned by the State Railways Systems operating on the Commonwealth Railway system. Experience has shown, however, that, following the introduction of the standard gauge rail operation between Sydney and Perth payment of the charges referred to has not been as great as expected. Compensating through-running of Commonwealth Railways vehicles on other Railway Systems resulted in reduced expenditure against the original provision for this item.

Exhibit
124 / 21
and Qs. 578 and
579

226. Prior to the introduction of the standard gauge link an exchange operation took place at Port Pirie Junction where bogies would be replaced for intersystem travel. Due to technical difficulties, the bogies of only certain types of vehicles belonging to the Commonwealth Railways could be changed. This resulted in an imbalance of vehicles belonging to the States on the Commonwealth Railway System outnumbering the Commonwealth Railways' vehicles on the States' systems. The introduction of the standard gauge facilities has increased the numbers of Commonwealth vehicles on other systems. This has reduced the amount of demurrage charges as a consequence.

Q. 579

. Traffic and General Buildings

227. We were informed that a shortfall of \$12,600 in expenditure occurred under Traffic and General Buildings for the Way and Works Branch. This arose from a decision to construct new traffic offices instead of remodelling a station building.

Committee
File 1970/5

. Repairs to Locomotives and Rolling Stock

228. It was stated that a shortfall of \$27,300 in expenditure occurred on repairs to rolling stock and locomotives. This was brought about by a decrease in actual mileages run as compared with the anticipated mileages together with non-receipt of debits from other railway systems.

Committee
File 1970/5
Q.583

. Residences - Rent Producing

229. We were informed that \$35,000 had been provided in the Original Estimates to cover the cost of movement of surplus residences from Woccalla to Pimba and from Mambray Creek to Port Augusta and Stirling North. Tenders were received in June 1969 for the transfer from Woccalla and re-erection at Pimba of six residences. The lowest offer received was \$6,035 per residence. In view of the high cost involved in transfer and re-erection of these residences it was decided not to proceed with the proposed transfers and the estimate for this project was deleted when the Additional Estimates Review was conducted. The surplus residences at both locations were disposed of on the site following the invitation of tenders.

Exhibit
124 / 21
Qs. 584 to
586 and 601
to 604
Committee File
1970/5

230. We were advised that the resulting overexpenditure of \$12,400 on rent-producing residences for the Way and Works Branch arose from a failure to provide \$13,184 for final payments relating to contracts for relocating residences from Haig to Loongana and improvements to residences at Rawlinna.

Committee
File 1970/5

. Preliminary Works - Whyalla Railway

231. It was stated that although actual expenditure

Committee
File
1970/5

reached \$39,700 only a token estimate of \$6,000 had been provided for preliminary work for the Whyalla Railway.

. Purchased Power

232. We were advised that the estimate for power purchased by the Mechanical Engineering Branch was based on an incorrect assessment of expected expenditure, resulting in an overexpenditure of \$10,000 when only \$7,500 was provided.

. Accounting System

233. The witness explained that under present arrangement, general costing by the Commonwealth Railways is carried out on an accrual basis. This arrangement was said to give rise to problems in relating cash expenditure to accrual accounting. The Treasury Observer, Mr. Davidson, confirmed that problems would arise in that area. The witness, however, informed us that the Commonwealth Railways proposes to engage consultants in 1970-71 to redesign its accounting system and also proposes to install computers.

Qs. 609
617 and 620

CONCLUSIONS

234. The evidence relating to this Item again reflects a need for greater care on the part of Commonwealth Railways in the formulation of its Estimates.

235. We note the problems confronting Commonwealth Railways in the operation of an accrual costing system and the difficulties that arise in relating cash requirements and expenditure to accrual accounting. We also note however, that Commonwealth Railways proposes to engage consultants in 1970-71 to redesign its accounting system. While Your Committee would commend Commonwealth Railways in this regard we believe that this action might well have been taken sooner with considerable advantage.

236. Your Committee would again comment adversely on the quality of the evidence tendered in the Commonwealth Railways written submission and would add that in the case of this Item witnesses appeared to be ill-prepared for examination. In this regard we would again refer to Treasury Circular 66/385 of 16 October 1970.

(iii) 890.2.02: Buildings, Works, Plant and Equipment-Central Australia Railway

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 2,120,000 | 2,148,000 | 2,100,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 2,120,000 | 2,148,000 | 2,100,000 |
| TOTAL EXPENDITURE | <u>2,070,004</u> | <u>1,454,445</u> | <u>1,362,631</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>49,996</u> | <u>693,555</u> | <u>737,369</u> |

237. This item provides for the anticipated cost of capital equipment required for the efficient operation of the Central Australia Railway. Exhibit 124/22

238. We were informed that the major components in the shortfall of \$737,369 in expenditure under this item for the Central Australian Railway arose from the following items:-

| | | |
|--------------------------|------------------|--|
| | \$ | Exhibit 124/22 and Committee File 1970/5 |
| Narrow gauge locomotives | 250,000 | |
| Rolling stock | 280,000 | |
| Scarifiers | 51,000 | |
| Track etc. | 50,000 | |
| Transcold units | 22,000 | |
| Residence | 12,000 | |
| Miscellaneous | <u>72,230</u> | |
| | <u>\$737,230</u> | |

. Narrow gauge (3'6") diesel electric locomotives

239. This project called for the purchase of six, narrow gauge, diesel electric locomotives for which \$420,000 was provided in the estimate. It was stated that although tenders were invited on 4 July 1969 a contract was not let until 4 December 1969 arising mainly from problems of technical design. It was explained that the type of locomotive offered by the successful tenderer, Clyde Engineering Co. Pty. Ltd. was different from the type

Exhibit 124/22 and Qs. 631, 632 and 634

previously used. Although the Company had supplied locomotives for standard gauge operation, it had not previously supplied narrow gauge units to the Commonwealth Railways. Delay in reaching agreement on the final design of the locomotives resulted in the late issue of orders by the contractor for imported and local materials.

240. The witness explained that difficulties would have been avoided if the locomotives had been obtained from a previous supplier. However, a favourable price differential amounting to \$25,000 per locomotive had been achieved by tendering. The type of locomotive offered by the Clyde Engineering Co.Pty.Ltd., was a heavier type of 1500 horsepower and having an axle load of about 15 tons. The Central Australian Railway, however, has a low track and axle load of between 10 and 12 tons. Qs.632,634

241. It was claimed that following the award of the contract further delays occurred due to industrial unrest within the drawing office and workshops of the manufacturer. Industrial difficulties were also said to have affected the flow of supplies of materials and components from other overseas and local manufacturers. Exhibit 124/22, Qs.631 and 633

242. It was stated that the shortfall in expenditure on this project amounted to \$250,000. Exhibit 124/22

. Rolling Stock

243. We were informed that expenditure on rolling stock fell short of the estimate by approximately \$280,000. It was stated that industrial difficulties experienced by the Broken Hill Proprietary Co.Ltd., delayed deliveries of steel. In February 1970 Broken Hill Proprietary Co.Ltd. had been approached by the Clyde Engineering Co.Pty.Ltd., through the Commonwealth Railways seeking to expedite deliveries. While Broken Hill Proprietary Co.Ltd., appreciated the position it was unable to assist as all its steel orders had to be delayed. Exhibit 124/22 Qs. 633 and Committee File 1970/5

. Scarifiers and Sleeper Inserters.

244. We were informed that \$60,000 was provided in the Qs. Exhibit estimate for the purchase of three machines designed to lift track, scarify the ballast and insert new sleepers. Previously it has been necessary to import these machines but, following the invitation of tenders on 2 August 1969 a locally manufactured prototype was offered for \$9,000. It was stated that a single unit was purchased for testing and evaluation. As a result \$51,000 remained unspent in respect of this project. Following the trial of this machine, further units have been listed for purchase in 1970-71.

124 / 22
Qs. 641 to 643

. Track, crossing loop and waterway

245. We were informed that the original programme made provision for relaying of eight miles of mainline track, extension of the crossing loop at Parachilna and construction of a water-way at Alberga. Due to a shortage of manpower, however, a shortfall in expenditure of approximately \$50,000 resulted on these projects.

Exhibit 124 / 22

. Transcold units

246. It was stated that a contract for these units for conversion of containers to a mechanical refrigerated type was let on 22 February 1970. However, due to a take-over of the supplier and misunderstandings arising between changed personnel of the companies involved a delay in delivery of these units occurred. This accounted for a shortfall in expenditure of \$22,000.

Exhibit 124 / 22
Q. 644

. Residence at Marree

247. It was stated that progress on the construction of a residence at Marree was retarded through problems encountered by the Contractor. A shortfall of approximately \$12,000 in expenditure occurred on this project.

Exhibit 124 / 22

. Miscellaneous

248. In its written submission, Commonwealth Railways

stated that certain works including modifications to rollingstock and items of equipment were completed or purchased at less than the estimated costs. In response to specific questioning on this matter, details were subsequently tendered. These showed that of the total \$72,230 involved, \$14,822 related to uncompleted contracts; \$8,000 related to a contract not arranged; \$17,000 related to a delay in final debits and no less than \$18,961 related to work not undertaken in 1969-70.

Exhibit
124 / 22
Q.646 and
Committee
File

. Ability to incur liabilities

249. It was stated in evidence by the witness that while Commonwealth Railways is able to invite tenders in anticipation of Appropriations it does not let contracts until the relevant Appropriations have been made. It was claimed that such contracts are not let until possibly the end of the calendar year or in the new year, thus resulting in a delay of six months.

Qs.651 and
657

250. In view of this situation we questioned the Observer representing the Department of the Treasury concerning the letting of contracts in relation to the Appropriations. We were informed that the procedures covering the capital works programme for Commonwealth Railways provide for the submission to the Treasury by Commonwealth Railways of a programme setting out details of outstanding commitments at the close of the current financial year, new proposals, proposed expenditure for the ensuing financial year and estimated outstanding commitments at the end of the financial year. "New proposals" are those items of the programme which are expected to be committed during the ensuing financial year. After the proposed programme has been examined in the Treasury and discussed with Commonwealth Railways, the agreed works programme is approved by the Minister for Shipping and Transport. The programme is then submitted to the Treasurer who, when approving the programme, also authorises Commonwealth Railways to incur commitments against a specified portion of the estimated cost of the new proposals pending the passing of the Appropriation Act. It is left to Commonwealth Railways to decide which of the new proposals included in the approved programme should be committed in advance of the passing of the legislation. Planning

Q.658 and
Committee File
1970/5

and invitation of tenders for the remaining new proposals may, of course, be completed prior to the passing of the Appropriation Act, with committal to follow as soon after the passing of the legislation as Commonwealth Railways may decide.

CONCLUSIONS

251. Your Committee accepts Commonwealth Railways explanation except for the evidence relating to miscellaneous expenditure and its ability to view liabilities and enter into contracts.

252. The written submission that was tendered explained that the shortfall on miscellaneous items of equipment arose mainly from modifications to rollingstock and other items completed or purchased at less than estimated cost. Further information supplied in response of questioning however, showed that most of the shortfall concerned had, in fact, arisen from such factors as incompleting contracts, contracts not arranged, delays in the receipts of final debits and a failure to undertake certain work. Your Committee is disturbed by this apparent disparity in fact and believes that it reflects adversely on the quality of the evidence tendered.

253. It was claimed in evidence that while Commonwealth Railways is able to invite tenders in anticipation of Appropriations it does not let contracts until the Appropriations have been made. This was claimed to result in delays in the placing of contracts. Information supplied at our request by the Department of the Treasury, however, shows that under existing procedures covering the capital works programme for Commonwealth Railways, the Railways may incur commitments against a specified portion of the estimated cost of new proposals pending the passing of the Appropriation Act. It is a matter for Commonwealth Railways to decide which of the new proposals included in the approved programme should be committed in advance of the passing of the legislation. On the basis of the Treasury advice Your Committee does not accept the necessity for Commonwealth Railways to withhold the letting of all contracts as a matter of necessary principle, with the concomitant delays that must arise from the late placing of orders. Your Committee would add that it is disturbed to find that the basis of the procedures referred to by the Department of the Treasury was evidently not clearly understood by the witnesses.

(iv) 890,2.03: Buildings, Works, Plant and Equipment-North Australia Railway

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|-----------------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 3,633,000 | 2,189,000 | 3,300,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 3,633,000 | 2,189,000 | 3,300,000 |
| TOTAL EXPENDITURE | 3,632,762 | 2,079,321 | 2,432,429 |
| UNEXPENDED FUNDS AVAILABLE | 238 | 109,679 | 867,571 |

254. This item provides for the anticipated cost of Capital equipment required for the efficient operation of the North Australia Railway. Exhibit 124/23

255. We were informed that the shortfall in expenditure under this item comprised the following projects Exhibit 124 / 23

| | <u>Shortfall</u> |
|---|------------------|
| | \$ |
| Narrow gauge diesel electric locomotives and Rollingstock | 500,000 |
| Stormwater drainage, Parap | |
| - Residences, roadworks and street lighting | 96,000 |
| - Workshops complex and Administrative block | 86,000 |
| Port Facilities, East Arm | 52,000 |
| Marshalling facilities, Katherine | 84,000 |
| Paint workshops and inflammable material store, Darwin | 30,000 |
| Flashing light installations | 24,000 |
| | <u>\$872,000</u> |

. Narrow gauge diesel electric locomotives and Rollingstock Exhibit 124 / 23

256. It was stated that provision had been made in 1969-70 for expenditure of \$420,000 on narrow gauge diesel electric locomotives. The contract for these locomotives was awarded to Clyde Engineering Co. Pty. Ltd., which had not previously supplied

3'6" gauge units to the Commonwealth Railways System. This resulted in agreement on final design of the locomotives and orders by the contractor for imported and local materials being delayed. We were informed that industrial difficulties were also experienced throughout the year by all manufacturers of goods and passenger rollingstock and components, as well as by the Broken Hill Proprietary Co., Ltd. This resulted in further delays due to protracted deliveries of steel. Arising from these delays the suppliers were unable to meet the delivery schedules anticipated. The shortfall in expenditure on these projects, amounted to \$250,000 for locomotives and the same amount for rollingstock.

. Stormwater Drainage, Parap

257. We were informed that a great deal of construction Q.665 work is proceeding for the Commonwealth Railways in Darwin. Workshops, residences and single mens' quarters are being built in the Parap area.

258. It was stated that the Department of Works, which had prepared Specifications and Drawings, invited tenders and, following Ministerial approvals obtained by the Commissioner, had arranged and supervised various contracts on behalf of the Commonwealth Railways. On 30 July 1969 the Department of Works advised that changes in stormwater drainage design in the Parap area were required by the Northern Territory Administration. These changes had not been previously anticipated by the Commonwealth Railways.

Exhibit
124/23
and Committee
File 1970/5

259. We were informed that following discussions with the Northern Territory Administration it had been proposed that the sewerage system for the area was to be connected to the main Darwin system. It was discovered, however, that the Sewerage systems was to be installed in conjunction with the stormwater system. The contractor experienced great difficulty with rock while excavating. This delayed other works while blasting operations were carried out.

Qs. 665 and
666

. Residences, roadworks and street lighting

260. We were informed that the change in stormwater drainage design requirements made by the Northern Territory Administration in the Parap area resulted in a delay in commencing construction of residences. It was also necessary to defer construction of roadworks and street lighting normally undertaken after completion of the residences. A shortfall in expenditure of approximately \$96,000 occurred as a result of these deferments.

Exhibit
124 / 23

. Administrative Office Block and Workshops Complex

261. It was stated that construction of the Administrative Office block at Darwin was delayed due to the requirement to arrange for alternative completion of the building. This followed the original contractor being declared bankrupt.

Exhibit
124 / 23

262. Completion of the New Workshops complex was also delayed on account of the variations in drainage required by the Northern Territory Administration and alterations found desirable as the contract progressed. The additional work resulting from the variations mentioned above extended the time period for completion of the contract and delayed commencement of associated works scheduled in conjunction with the main Workshops complex. It was stated that a shortfall in expenditure of approximately \$86,000 occurred for these projects.

Exhibit
124 / 23
Qs. 668 to 669

. Port facilities, East Arm

263. We were informed that an investigation is being undertaken by an interdepartmental committee into the development of new port facilities at East Arm in connection with the upgrading of existing port facilities at Darwin. A land use study of Darwin is also being made. Approval by the Commonwealth Government to undertake the development of port facilities at East Arm resulted in the Commonwealth Railways deferring development of a Railway forwarding agents' area at Winnelle and the construction of a Railway from Knuckey's Lagoon to East Arm. The decision to defer

Exhibit
124 / 23
Q. 667

these projects was made pending an examination of the effect of the new Port development and the possibility of incorporating all Railway bulk and general traffic requirements at one location. This resulted in a shortfall in expenditure of approximately \$52,000.

264. It was stated that although the project has included in the estimates for 1970-71, no work can be undertaken until the findings of the land use and port development studies are available. Q.667

. *Marshalling and siding facilities, Katherine.*

265. We were informed that the railway terminates at Larrimah, which is the terminal point for the co-ordinated road rail transport system between Alice Springs and Darwin. It was stated that investigations are proceeding on the possibility of transferring the terminal to Katherine and improving the track between Larrimah and Katherine. This transfer would necessitate the installation of a number of facilities for offloading containers and transhipment of goods from road to rail transport. The witness admitted that possibly Commonwealth Railways had included these works prematurely in its capital programme for 1969-70. The works had been deferred and included in the programme for 1970-71 for carry-forward into 1971-72. Q.670

266. However, we were informed in the Department's written submission that, due to a change in design requirements and consequent later invitation of tenders for earthworks, drainage and associated roadworks for marshalling and siding facilities at Katherine, expenditure was approximately \$84,000 less than anticipated. Exhibit 124 / 23

. *Paint shop and inflammable material store*

267. It was stated that prices received in response to the invitation of tenders for construction of a paint shop and inflammable material stores at Darwin were considered to be unacceptably high. This required the reinvasion of tenders and resulted in a delay in the commencement of these projects. A shortfall in Exhibit 124/23

expenditure of approximately \$30,000 occurred as a result.

. Flashing Light Installations

268. Provision was made for expenditure of \$24,000 for flashing light installations at three locations on the North Australia Railway. Commonwealth Railways had previously installed imported equipment of the type required currently. In order to invite tenders for the proposed equipment it was necessary for Commonwealth Railways to prepare detailed specifications. A shortage of professional staff, however, delayed the preparation of specifications and tenders were not invited until 3 January, 1970. A local manufacturer submitted an offer and a considerable period of time elapsed while that offer was investigated. Eventually it was found that the locally-offered equipment would not be suitable and arrangements were made to purchase imported equipment. An order for imported equipment was placed shortly before our inquiry occurred in August 1970.

Exhibit
124 / 23
and Qs. 672 &
673

CONCLUSIONS

269. Your Committee accepts Commonwealth Railways explanation except in relation to storm water and related problems at Parap port facilities at East Arm and the marshalling yards at Katherine.

270. It appears from the evidence that considerable difficulties followed changes made by the Northern Territory Administration in stormwater drainage design in the Parap area. It would appear that inadequate liaison existed between Commonwealth Railways, the Department of Works and the Northern Territory Administration in regard to this matter. It is also likely that funds were sought prematurely for this work in 1969-70.

271. In regard to the proposed port facilities at East Arm it is clear from the evidence that Commonwealth Railways will not be able to engage in effective planning until it has

examined the reports of Committees which are investigating the upgrading of existing port facilities and land use at Darwin. We also note with concern that although these reports were not available when our inquiry took place late in August 1970, this project has been included in the Estimates for 1970-71.

272. It appears from the evidence that funds were provided in the Original Estimate for 1969-70 for work to be undertaken on marshalling and siding facilities at Katherine. However, at the time of our inquiry, investigations were still proceeding on the possibility of transferring the terminal from Larrimah Katherine. We note with concern that in these circumstances, it has been necessary for the marshalling and siding facilities project to be deferred for inclusion in the 1970-71 programme for carry-forward into 1971-72. In Your Committee's view there can be no doubt, based on the evidence, that this project was included prematurely in the 1969-70 programme.

(v) 890.2.04: Buildings, Works, Plant and Equipment-Seat of Government Railway

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 812,000 | 504,000 | 340,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 812,000 | 504,000 | 340,000 |
| TOTAL EXPENDITURE | 811,868 | 504,000 | 276,168 |
| UNEXPENDED FUNDS AVAILABLE | 132 | - | 63,832 |

273. This item provides for the anticipated cost of capital equipment required for the efficient operation of the Seat of Government Railway.

274. We were informed that \$92,000 had been provided in the Estimate for the installation of a gantry crane at Canberra. A more favourable price than expected was obtained and a contract for \$72,000 was let, comprising the crane, associated equipment and hardstanding. It was stated, however, that Commonwealth Railways experienced performance difficulties with the contractor. This resulted in delayed deliveries of suspension units, lifting accessories and other difficulties with the electrical equipment. The witness explained that a letter had been written to the supplier in an effort to achieve delivery. As a consequence of these difficulties and the reduced price, an amount of \$26,000 remained unspent in relation to this acquisition.

Exhibit
124/24 and
Qs.675 to 680

275. A further shortfall of \$20,000 occurred in expenditure when the construction of residences and a plant shed fell behind schedule. While the witness did not explain the causes of the delay on this contract he informed us that the contractor had been penalised at the rate of \$50 per week for failure to comply with the schedule of the contract. The failure of performance on this contract had prevented the letting of a further contract relating to landscaping for which \$6,000 had been provided

Exhibit 124/24
and Q.681

in the Estimate.

CONCLUSIONS

276. On the basis of the evidence Your Committee
accepts Commonwealth Railways explanation in respect of this Item.

Chapter 8
Department of Works

- (1) 925.1.23: Capital Works and Services-Buildings and Works-Departmental-Commonwealth Taxation Office.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 70,000 | 287,000 | 90,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 70,000 | 287,000 | 90,000 |
| TOTAL EXPENDITURE | <u>45,928</u> | <u>277,675</u> | <u>67,304</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>24,072</u> | <u>9,325</u> | <u>22,696</u> |

277. This item provides for the buildings and works requirements of the Taxation Branch of the Treasury. Exhibit 124 / 25

278. We were informed that the programme for 1969-70 included a major item of \$33,000 for alterations at the London Stores Building, Melbourne. Tenders for this project were scheduled to be called in August 1969 and an expenditure of \$30,000 had been provided in the Appropriation. Before the project went to tender, however, the requirement was withdrawn by the sponsor and the work was deleted from the programme. Exhibit 124/25

279. We were informed by a witness representing the Taxation Branch that, due to an unsatisfactory accommodation position in the Central Office of his Branch which was located in the London Stores Building in Victoria, approval was granted on 30 October 1968 to acquire the lease to an additional area in that building. Negotiations then proceeded with the Department of Works for partitioning and alteration to the area to accommodate the additional officers required in the Central Office. Q.860

280. The witness representing the Taxation Branch Qs.865 to 868

informed us that the decision to abandon this work was taken on 6 August 1969 following approval granted by the Treasurer on 30 July 1969 to proceed with draft changes to the regulations under the Income Tax Act regarding lodgment of tax returns and an inspection of the premises carried out immediately following that decision. The effect of the Treasurer's decision was to transfer certain functions from the Central Office in Victoria to the other State Offices. The witness representing the Taxation Office claimed that no final decision could be made as to whether to proceed with the work or abandon it until the Treasurer had given his decision.

281. We were informed that originally it had been anticipated that this transfer of functions would be made over a period of three years and would require continued occupation of this building for at least that period. However, the application of the computer to tax procedures and a review of progress to 28 October 1969 prompted the decision to compact this transfer to twelve months and to vacate the building by October 1970. Qs.868 to 871

282. It was stated by the witness representing the Taxation Office that it is anticipated that a saving in excess of \$1,000,000 per annum will be achieved by the transfer of a considerable number of taxation returns from companies, trusts and partnerships and a relatively small number of Australian Capital Territory wage and salary returns to the State Offices in accordance with the new lodgment provisions and the assistance of electronic processing by computer. Qs.872 to 876

283. We were informed that the shortfall of \$30,000 on the London Stores project was partly offset by increased expenditure on a major project for alterations to premises at 350 Collins Street, Melbourne. Exhibit 124 / 25

CONCLUSIONS

284. Your Committee accepts the Department's explanation.

(11) 925.6.01: Capital Works and Services-Buildings and Works-
Broadcasting and Television Services-Sound
broadcasting transmission.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 2,117,000 | 396,000 | 225,000 |
| Appropriation Act No.4 | 425,000 | - | - |
| Advance to the Treasurer | & - | - | - |
| TOTAL FUNDS AVAILABLE | 2,542,000 | 396,000 | 225,000 |
| TOTAL EXPENDITURE | <u>2,533,812</u> | <u>373,278</u> | <u>174,139</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>8,188</u> | <u>22,722</u> | <u>50,861</u> |

285. This item provides for the buildings and works requirements for the Postmaster-General's Department for the purposes of Sound Broadcasting Transmission.

Exhibit
124 / 26

286. We were informed that the Appropriation of \$225,000 was based upon an unexpended balance of \$147,302 as at 1 July 1969 of works then in progress plus a new programme of \$237,800 of works to be commenced in 1969-70.

Exhibit
124/ 26

287. It was stated that the shortfall in expenditure on the Item was brought about by a series of incidents in several States, these were as follows:-

Exhibit
124/ 26

• Victoria

288. We were informed that a contract had been let in 1968-69 for improved lighting in the Transmitter Hall for Radio Australia at Shepparton. It was stated by the witness representing the Postmaster-General's Department that this project involved the changing of the light fittings in order to use a more readily available 40 watt fluorescent tube, which would improve the situation both from the life of the tube and continuity of supply. It was also stated that it was a difficult operation to change these tubes due to the size of the transmitters and the height of the ceiling, some twenty feet above the floor.

Exhibit
124/ 26
and Qs.881 to
885

289. The particular light fittings, installed in the Shepparton Transmitter Hall in about 1942, used an unusual type of 80 watt fluorescent tube, supplies of which had become unavailable from the original source of supply in Holland. It was stated that in March 1969 an improved supply of such tubes was located in England and a substantial quantity has been obtained, thus removing the urgency for replacement of the fittings. Qs.881 to 885

290. However it was stated that when work was about to commence on this project the need for fairly extensive restoration work to the ceiling was discovered by the inspecting officers from the Department of Works. The witness representing the Department of Works agreed that, although he did not know the actual circumstances, the ceiling should have been examined prior to embarking on the project. He stated that the sagging of this high ceiling was not obvious from previous visual inspection, but the light fittings as designed could not be attached to it until the ceiling had been replaced. Exhibit 124/ 26 Qs.878,879

291. It was stated that as a result of discussions between the Department of Works and the Postmaster-General's Department it was decided that the project should be withdrawn, resulting in a shortfall of \$8,000. Exhibit 124/26

292. We were also informed that the programme for 1969-70 included a proposal to install thermal fire alarms in the same station, in conjunction with the ceiling and lighting work mentioned above. Tenders were scheduled for November 1969, and an estimated expenditure of \$3,000 was expected. It was stated that the proposal involved work above a series of broadcasting transmitters and could only be done when the transmitters were not broadcasting, generally during broken hours overnight. However, several months elapsed before a satisfactory working arrangement could be devised with the Postmaster-General's Exhibit 124 / 26 Q.886
Exhibit 124 / 26 Q.907

Department with the result that tenders were not invited until 28 February 1970. No expenditure was incurred in 1969-70, resulting in a shortfall of \$3,000.

293. The witness representing the Department of Works stated that four tenders were received as at the closing date of 24 March 1970, and ranged in price from \$9,841 to \$12,741. The three lowest priced tenders were technically unacceptable, because they offered an unproven circuitry system as part of their tender. This system, it was stated, was unacceptable to the Department until a similar existing installation had been examined. He added that the highest priced tender was accepted after the tenderer concerned had demonstrated the system that he proposed to install. It was stated that a contract was let on 25 May for \$12,741. Qs.886 to 890 and Qs.898 to 907

294. The witness representing the Postmaster-General's Department claimed that his Department is aware of the major suppliers who would be engaged in activities which would interest his Department and that responses by technically competent tenderers are usually fairly good. Qs.905,906

. Western Australia

295. We were informed that a contract valued at \$10,052 was let on 10 March 1970 for the provision of fire alarms at stations in two country towns, Geraldton and Wagin. The contract was due for completion on 29 June 1970. Following an inspection on 10 June 1970, payment of only \$1,980 was warranted from an expected \$7,000 for 1969-70. Performance of the contract fell behind schedule however, and a shortfall of \$5,000 in expenditure occurred as at 30 June. Exhibit 124 / 26 Qs.891 to 893

. Tasmania.

296. We were informed that an amount of \$25,000 was expected to be spent on the erection of a radio station Exhibit 124 / 26

at Richmond, at a total estimated cost of \$123,000. Tenders for the building and earthworks components were accepted in March 1970 as planned and it was expected that both contracts would proceed concurrently with the earthworks contractor allowing the builder to gain access to the site during the progress of the roadwork. However, we were informed that due to a period of unfavourable weather conditions and deterioration of the existing access track this was not possible and the earthworks contractor had to proceed alone. A shortfall of \$10,000 expenditure occurred on this project.

. Australian Capital Territory

297. We were informed that tenders for the only item included on the programme which was estimated to cost \$10,000^{Exhibit 124 / 26} were favourable and the project was completed with a saving of \$2,600.

. General

298. We were informed that the remaining shortfall in expenditure on the Item was due to a slower rate of requisitioning for minor works by the Postmaster-General's Department than had been anticipated. This occurred principally in Victoria (\$6,000) Western Australia(\$3,000) and the Northern Territory (\$12,000) resulting in a shortfall on \$22,261.^{Exhibit 124 / 26}

299. The witness, representing the Postmaster-General's Department stated that several requisitions were issued before January 1970 in time to have the work committed and carried out. He gave an example of an item for \$1,582 involving alterations and repairs to the floor of the Lindhurst Transmitter Hall. It was discovered that a new transmitter was necessary and as part of this work an earth mat was required beneath the floor before the contract could be arranged. Q.894

CONCLUSIONS

300. Your Committee accepts the Department's explanation in respect of projects other than that relating to the Transmitter Hall at Shepparton.

301. In connection with the Shepparton project, it is clear from the admission of the witness that the condition of the ceiling of the building should have been inspected thoroughly before the project relating to light fittings was embarked on. In connection with the proposed installation of thermal fire alarms at the same station, we note that several months elapsed before a satisfactory working arrangement could be made with the Postmaster-General's Department to enable the alarms to be installed while the transmitters were not broadcasting. These protracted negotiations delayed the project in going to tender. Your Committee does not accept, on the basis of the evidence, the necessity for protracted negotiations while a satisfactory working arrangement was reached. The problems inherent in work on broadcasting equipment during non-broadcasting hours are not new to the Department of Works or to the Postmaster-General's Department. Reference was made to these problems in Chapter 5 of Your Committee's One Hundred and Tenth Report which related to the Australian Broadcasting Commission.

- (111) 925.6.02 Capital Works and Services-Buildings and Works-
Broadcasting and Television Services - Sound
broadcasting studios and other purposes.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.2 | 90,000 | 123,000 | 145,000 |
| Appropriation Act No.4 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 90,000 | 123,000 | 145,000 |
| TOTAL EXPENDITURE | 80,958 | 119,533 | 65,532 |
| UNEXPENDED FUNDS AVAILABLE | 9,042 | 3,467 | 79,468 |

302. This item provides for the buildings and works required for the Australian Broadcasting Commission for the purposes of Sound Broadcasting Studios and other purposes. Exhibit 124/28

303. It was stated that the shortfall of \$79,468 comprised the amounts mentioned in relation to the projects below:

. Launceston Studio Building.

304. We were informed that this item, estimated to cost a total of \$250,000, was deleted from the programme on 10 February 1970 at the request of the Australian Broadcasting Commission. As a result, a shortfall of \$15,500 in expenditure occurred in 1969-70. Exhibit 124 / 28 Qs.908 to 910

305. The witness representing the Australian Broadcasting Commission stated that the Department of Works had been incorrectly briefed and that the building that had been planned was inadequate for the needs of the Commission both at that time and for any expansion in the future. Q.908

306. This witness claimed that every precaution had been taken in studies connected with the project to ensure that requirements of the branch were adequately catered for. However, the Q.925

information was not passed on to the Department of Works. He claimed that, arising from staff movements, he was unable to specify the reasons for this information being withheld from that Department. He stated that the matter was brought to his attention in January 1970 and consultations were held with his Hobart manager and the Department of Works on the possibilities of amending the plans or altering the building at a future date. Neither of these alternatives was feasible and it was decided to remove the project from the programme and recommence the planning.

307. We were informed that this item has been included in the 1970-71 programme and will adequately provide for the services required by the Australian Broadcasting Commission.

Q.925

. Broken Hill Studio Building.

308. We were informed that tenders closed on 2 December 1969 for the Broken Hill Studio Building estimated to cost a total of \$195,000.

Exhibit
124 / 28

309. It was stated that the specifications for this project provided for hotmix surfacing of the car park but the tenderers indicated that a hotmix plant was not available in Broken Hill. We were informed that this resulted in the need for revision of the specifications. Before a contract could be let it was necessary to investigate fully the suitability of the lowest priced tender. This action took longer than had been anticipated and a contract was not let until 19 February 1970. As a result an estimated shortfall of \$11,700 occurred on this project.

Exhibit
124 / 28
Q.913

. Studio Block-Ferbes Street, Sydney.

310. The witness representing the Australian Broadcasting Commission informed us that the site of this particular studio block

Q.915

was subject to a high degree of electro-magnetic interference emitted by an authority using a specialised piece of equipment directly in line with the studios and approximately half-a-mile distant. He stated that the Authority concerned had, by agreement, decided to test the particular equipment only after midnight when broadcasting had ceased. He stated that in September, 1969 this authority informed the Australian Broadcasting Commission not to rely on their ability to restrict testing of this equipment after midnight only and that plans should be made to protect the studios.

311. We were informed that following this advice protracted discussions took place between the Australian Broadcasting Commission and the Department of Works concerning the type of shielding to be sought. It was stated by the witness representing the Australian Broadcasting Commission that the shielding required was of a specialised and unusual type. World-wide inquiries made by the Commission failed to provide a satisfactory solution to cope with this problem. A method of shielding which was inordinately expensive was suggested to the Department of Works which proceeded with the contract for the studio in the hope that the Australian Broadcasting Commission would reach a satisfactory solution regarding shielding. Q.915

312. It was stated that tenders for the studio were invited on 24 January 1970, as programmed, closing on 24 February 1970 for the erection of the studio block at Forbes Street, Sydney estimated to cost a total of \$455,000. However, only one was received and this was found to unacceptable. Exhibit 124/ 28 Q.915

313. The representative of the Australian Broadcasting Commission informed us that subsequent to the closing of tenders on 24 February 1970, a cheaper method of shielding was discovered. Q.915

314. It was stated that tenders were reinvited on 31 March 1970, closing on 19 May 1970 and a contract was let in June 1970. The resulting shortfall in expenditure on this project Exhibit 124/ 28

amounted to \$9,400.

. Residence-Horsham, Victoria.

315. We were informed that a difference of opinion arose in the interpretation of Treasury Regulations in regard to the area proposed for a residence to be built at Horsham in Victoria on behalf of the Australian Broadcasting Commission. The Commission requirement was for a house of 13½ squares. The Department of Works claimed under the Treasury Regulations that it could build only 10½ squares. However, after protracted discussions it was discovered that the Department of Works had misinterpreted the Regulations which, in fact permitted a house of 12½ squares to be built. A house of this squarage was agreed to for the Commission.

Exhibit
124/ 28
Q.917

316. It was stated that as a result of the delay arising out of the discussions on the area to be provided the contract was not let until June 1970 resulting in a shortfall of \$12,000 for the 1969-70 financial year.

Exhibit
124 / 28

. Minor Works.

317. We were informed that the approved programme included a total provision of \$40,000 for minor new works, such works individually estimated to cost less than \$7,000. Based upon experience and in the anticipation that requisitions would be lodged to the full extent of the programme, expenditure in 1969-70 was expected to reach \$30,000.

Exhibit
124 / 28

318. We were informed by the Department of Works that very little expenditure was incurred on minor works in 1969-70 due to non receipt of requisitions, work on requisitions received being completed for less than the estimated cost and delay in finalising requirements. The estimated shortfall after allowing for expenditure of \$2,155 was \$27,900.

Exhibit
124 / 28

319. In qualifying the Department of Works submission the witness representing the Australian Broadcasting Commission stated that the Department of the Treasury had requested the Australian Broadcasting Commission to provide some of the additional funds required for the special shielding mentioned earlier and other items from the minor works allocation. These items, which amounted to \$27,500 included \$18,000 for the special shielding of the Forbes Street, Sydney Studios and \$9,500 for a job carried out by day labour in Port Moresby. Q.919

. Works in Progress

320. We were informed that works estimated to cost \$23,359 were carried over into 1969-70 from 1968-69. It was stated that expenditure of \$22,000 was expected on these items, but due to savings in completed costs, including credits for liquidated damages, a reduction in spending estimated at \$3,000 occurred on these works. Exhibit 124 / 28

CONCLUSIONS

321. Your Committee accepts the Department's explanations relating to the proposed studio block at Forbes Street, Sydney and to minor works.

322. In the case of the Launceston Studio building, however, Your Committee believes that the Australian Broadcasting Commission should have taken greater care to ensure that its requirements for the project were conveyed adequately to the Department of Works.

323. On the basis of the evidence, Your Committee believes that appropriate action should have been taken to ensure that a hotmix plant was available at Broken Hill before including the requirement for hotmix surfacing of the car park in the specifications for the Broken Hill Studio building.

324. In the case of the proposed residence at Hershaw the evidence shows that a misinterpretation of Treasury Regulations by the Department of Works caused a delay in the letting of the relevant contract. Your Committee believes that this misinterpretation should not have occurred. It also believes that the Department of the Treasury should examine the Regulations concerned and assess whether or not they require re-framing to avoid a recurrence of that problem.

- (iv) 925.6.03: Capital Works and Services-Buildings and Works-Broadcasting and Television Services-Television Transmission

| <u>Funds Available</u> | <u>1967-68</u> \$ | <u>1968-69</u> \$ | <u>1969-70</u> \$ |
|----------------------------|----------------------|----------------------|----------------------|
| Appropriation Act No.2 | 230,000 | 132,000 | 390,000 |
| Appropriation Act No.4 | - | 78,000 | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 230,000 | 210,000 | 390,000 |
| TOTAL EXPENDITURE | <u>197,096</u> | <u>205,820</u> | <u>291,894</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>32,904</u> | <u>4,180</u> | <u>98,106</u> |

325. This item provides for the building and works requirements for the Postmaster-General's Department for the purposes of television transmission in Australia. Exhibit 124/29

326. We were informed that the programme for 1969-70 included a proposal to erect a television transmitter station at Mt.Bellenden Ker, located on a mountain top in extremely rugged country in North Queenslandrain forest and subject to intense rainfall. As direct road access is impractical the works to be carried out included a specialised three mile long cableway to the site. Exhibit 124 / 29

327. It was stated that the original total estimated cost of the project was \$1,100,000, this figure being recognised as flexible due to the specialised nature of the work, the unpredictable effect of weather conditions and various possibilities in alternative construction approaches. Exhibit 124 / 29

328. The witness representing the Department of Works informed us that when evidence relating to this project had been tendered to the Parliamentary Standing Committee on Public Works, the estimate had been qualified as follows. Q.928

"Although it is difficult to estimate what allowances tenderers may take to cover time lost due to weather and to assess the competitiveness of the tender market, the cost figure is the best that can be produced at this stage and cannot be refined until the tender market for the work has been tested."

329. We were informed that as tenders were scheduled to be called in October 1969 an estimated expenditure of \$100,000 in 1969-70 was allowed for in the Appropriation. Tenders were invited on 31 October 1969, originally to close on 30 December 1969. However, it was stated that in response to requests from prospective tenderers arising from the complexity of the project, the closing date was extended to 20 January 1970.

Exhibit
124 / 29

330. The witness informed us that documents were issued to seven contractors three of whom lodged tenders. The prices submitted were \$992,000, \$1,383,000 and \$1,694,000. None of these tenders, however, complied with the departmental specifications. The lowest priced tender offered alternatives in the design of the cableway and also in the method of construction including the greater use of helicopters instead of a temporary ropeway proposed in the departmental specifications. This necessitated considerable negotiation on the tender as submitted and the requirements of the specifications before satisfactory arrangements could be concluded with the lowest-priced tenderer. The witness stated that a price of \$1,070,530 was finally negotiated with that tenderer.

Exhibit
124 / 29
Q.928

331. We were informed that the negotiated tender price involved an increase in the original estimate to \$1,340,000. On 12 March 1970 most of the tendering problems had been resolved and the Postmaster-General's Department was advised of the increase in cost of \$240,000 which was approved by the Treasurer on 23 April 1970. The contract was let on 24 April 1970.

Exhibit
124 / 29
Qs.928 to 930

332. It was stated that the financing of this project involved contributions from the Department of Civil Aviation for use in Navigational Aids, and the Commercial Broadcasting Station, which unavoidably delayed approvals to the increase. The witness representing the Department of Works indicated that a contribution amounting to \$116,000 was made by the Department of Civil Aviation. A contribution of \$130,000 was also made by the Postmaster-General's Department from funds other than the appropriation for this item. He was unable to state the amount of contribution to be made by the Commercial Broadcasting Station.

Exhibit
124/ 29
Q.930

333. It was stated that the result of the forementioned delays in tendering and funding meant that no expenditure was incurred on this project in 1969-70. Slightly better progress than anticipate on other works reduced the overall shortfall on this item to \$98,106.

Exhibit
124 / 29
and Qs.928,931

CONCLUSIONS

334. It appears to Your Committee from the evidence that a number of problems, including rugged terrain and susceptibility to high rainfall, were recognised from the outset in connection with the Mount Bellenden Ker, Queensland, project. It was also proposed that tenders should not be invited until October 1969. In these circumstances, and having regard to the problems that arose subsequent to October in obtaining an acceptable tender, Your Committee believes that the request for funds for this project might well have been deferred for consideration in connection with the Additional Estimates.

Chapter 9
Department of Defence

Item 604 - Plant and Equipment

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 324,100 | 1,679,100 | 1,501,000 |
| Appropriation Act No.3 | -- | -- | -- |
| Advance to the Treasurer | -- | -- | -- |
| TOTAL FUNDS AVAILABLE | 324,100 | 1,679,100 | 1,501,000 |
| TOTAL EXPENDITURE | <u>253,272</u> | <u>1,064,768</u> | <u>283,884</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>70,828</u> | <u>614,332</u> | <u>1,217,116</u> |

335. This Item provides for the purchase of machinery, plant and equipment, other than office machines.

Exhibit
124 / 30

336. We were informed that the Minister for Defence had approved the purchase of a Honeywell H8200 computer with the necessary peripheral and peripheral contact equipment for the EDP Division. This computer was selected because of its particular capabilities which were not present in other machines. They included its compatibility with H800, H1800 and H200 machines already installed in the Defence Group EDP complex, together with the fact that programmes written for those machines could be run on the H8200 without change. On the assurance of the manufacturer that delivery could be made in December, 1968 and acceptance tests completed in February-March 1969, \$1,280,000 was included in the 1968-69 Appropriation Act No.1. Because of delay in development and production the manufacturer did not supply the equipment until May 1969 which precluded the completion of acceptance tests during 1968-69. In the terms of the contract only \$731,221 representing 60 per cent of the hardware costs, together with \$49,352 for freight were paid during that year. An amount of \$1,076,871 was repaid in the Appropriation Act No.1 of 1969-70 to meet the balance of the contract price for the H8200 and for additional peripheral equipment to up-grade the machine.

Exhibit
124 / 30

337. After delivery of the machine on 19 May 1969 acceptance tests were commenced in mid July in accordance with the terms of the contract. It was expected that these tests would be completed by 1 August 1969. The contract provided that after passing of the acceptance tests a further 30 per cent of the contract price was to be paid and that the final 10 per cent was to be paid when all programming aids were completed. The final payment was expected to be made on 1 May 1970. However, as the computer did not meet the required performance of 95 per cent or better over twenty operational shifts, as required by the contract for the acceptance tests by 1 August 1969, the 30 per cent payment was not made. The witness stated that initially it was difficult to discover the problems because of a series of unrelated faults in components throughout the equipment. Later it became fairly evident that the major cause of difficulty resided in the "Read Only Memory" which carries out the whole of the central control of the machine.

Exhibit
124 / 30
and Qs. 941 to
946

338. Because the contract included a provision for liquidated damages the Company became liable for such damages at the rate of 1/30 of the monthly rental for each day following 1 August 1969, until the required performance level was achieved. This occurred on 2 October 1969, and \$362,543 representing 30 per cent of the contract price due on the equipment was reduced by approximately \$52,207 to \$310,336. However, payment was withheld on the advice of the District Contract Board because deliveries of programming aids or software as specified in the contract had not been received by 2 October. It appeared to the Department that this non-delivery might continue for some time and the rate of liquidated damages applying to the software was such that the amount of money owed by the Company under the liquidated damages clause could exceed the amount owed by the Commonwealth to the Company.

Exhibit
124 / 30
and Q. 947

339. Following the achievement of the required 95 per cent performance a deterioration in reliability became evident and the Department invoked further contractual clauses on the grounds that the general performance was not satisfactory as required by the contract. This resulted in a memorandum of arrangements with the Company in which

certain hardware modifications were proposed and further acceptance testing determined. This work was scheduled for completion in January, 1970. Following further examination of the equipment, certain potential reliability problems were revealed which the Company agreed should be corrected. A series of hardware modifications was scheduled by the Company for completion about the end of May 1970 to correct the revealed deficiencies. Because of the delay in the schedule of hardware changes and the non delivery of the software which was originally scheduled for 1 November, 1969, no capital charges in respect of the H8200 were made in 1969-70. There were, however, some freight and minor charges paid totalling \$1,166. The under-expenditure in 1969-70 on account of the H8200 computer was therefore \$1,075,705.

Exhibit
124 / 30

340. We were informed that an amount of \$44,820 was included in the Appropriation Act No.1 of 1969-70 as the Department's share of the joint venture with the Duntroon Royal Military College for the establishment of a small computer at the College. The computer chosen was a Honeywell DDP516 and the contract for purchase was similar to that for the H8200 in that 60 per cent of the capital cost was to be paid on delivery and connection, 30 per cent on completion of acceptance tests and 10 per cent on completion of software deliveries. The order for this equipment was placed on 24 October 1969, delivery was made in January, 1970 and installation on 17 February 1970. In the terms of the contract actual payment made during 1969-70 was 60 per cent of the capital cost together with freight and insurance charges. The Department of Defence's share of these charges was \$28,677. Because the computer had not passed acceptance tests in accordance with the terms of the contract and software deliveries had not been completed before the close of the financial year, the balance of 40 per cent of the capital cost was not paid. This resulted in a shortfall of \$16,152 in expenditure. When our inquiry occurred in September 1970 all matters connected with this computer were completed, but the Company was subject to liquidated damages in accordance with the terms of the contract.

Exhibit
124/30
Qs.949 and
950.

341. A provision of \$69,724 was included for further ancilliary equipment for the H8200 of a Message Mode multi channel communications controller (\$30,600), Scientific (floating point) unit

Exhibit
124 / 30

(\$29,124) and a Remote Input/Output unit (\$10,000). Because of the non acceptance of the H8200, the acquisition of these items was suspended.

342. \$25,385 was provided for Research, Experimentation and minor equipment for the EDP Division and actual expenditure totalled \$16,575. Some minor equipment for remote entry operation was not proceeded with due mainly to the delay in establishing the operation of the H8200 and the DDP516. A shortfall of \$8,810 occurred. Exhibit 124 / 30

343. \$1,000 was provided to purchase foreign electronic equipment for analysis by the Joint Intelligence Organisation but procurement action through special channels proved unsuccessful. Exhibit 124 / 30

344. \$2,400 was provided in the Estimate for the purchase of a small calculator with a memory store to assist the Joint Intelligence Organisation in its studies particularly of satellite and long-range rocket firings. After agreement had been reached to include the amount in the Estimate the Organisation continued its investigations as to the best type of calculator to acquire and on 22 January 1970 requested the purchase of a Hewlett Packard 9100B machine. The Management Services Branch of the Department reviewed this request and in June 1970 requested that a further brand of calculator should be considered. This was done but the Hewlett Packard machine was selected and an order was placed on the Australian Embassy, Washington on 26 August. Exhibit 124 / 30 and Qs. 954 to 956

345. \$30,000 was provided in the Estimate for communications equipment required for the Defence Signals Division which was to be purchased from the United States of America. An overseas request for procurement of supplies was placed on the Australian Embassy, Washington, for this equipment with the direction that Division 604 be charged. Investigations revealed that the supplier has been paid, but that the charges brought to account by the Commonwealth Sub-Treasury, New York had been debited in error against the Department of Army vote Division 670. The error was not discovered until after the close of the financial year. Exhibit 124 / 30 and Qs. 958 to 960

346. Due to a container strike in Sydney in May/June 1970 Exhibit 124 / 30

an order placed for delivery of an incremental recorder was not fulfilled
This non-delivery resulted in a shortfall of \$5,000 in expenditure .

Exhibit
124 / 30

347. It was also stated that an order was placed on a local supplier for delivery of communications equipment to the value of \$3,000, but because of the supply of incorrect items the equipment was returned and no payment made. There were also minor delivery delays, cancellations of planned purchases and cost reductions amounting to \$5,325.

Exhibit
124 / 30
and Qs. 967 to
971

CONCLUSIONS

348. Your Committee accepts the Department's explanation except on two matters. It appears from the evidence that \$2,400 was sought prematurely in the Estimates for the purchase of a calculator for use in scientific analysis work. In this regard it would seem that the delay in purchasing the calculator was due partly to the fact that the Management Services Branch of the Department had the proposed purchase under consideration for a period of not less than 6 months after the Joint Intelligence Bureau had recommended the acquisition of a specific machine. In view of the prior investigations carried out by the Joint Intelligence Bureau we consider, on the evidence, that the Management Services Branch might well have reached its findings more readily.

349. The other matter to which we would refer is the error that occurred in the Sub-Treasury in New York and which contributed \$30,000 to the total shortfall in expenditure under this Item. Your Committee is particularly concerned that the error was not discovered until after the close of the financial year.

Chapter 10
Department of Supply

- (i) Item 729/2/04 - Defence Research and Development Establishments, Administrative and Operational Expenses, Freight cartage and packing.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | - | 376,000 | 375,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | - | 376,000 | 375,000 |
| TOTAL EXPENDITURE | - | 297,562 | 270,699 |
| UNEXPENDED FUNDS AVAILABLE | - | 78,438 | 104,301 |

350. The Department informed us that it is not possible to provide comparative detail for 1967-68. In that year funds were provided under Division 771-2 (no Treasury Items) for the Weapons Research Establishment and 773-2 (twelve Treasury Items) for the Defence Research and Development Laboratories. In 1968-69 the Administrative and Operational Expenses of these Establishments were amalgamated in Division 729-2 comprising nine (9) Treasury Items.

351. This Item provides for freight cartage and packing costs associated with the operations of the Defence Research and Development Establishment, and disturbance allowance payable to officers in respect of transfer. The Establishments are located in Queensland, New South Wales, Victoria, South Australia and the Australian Capital Territory. This Item is gross funded and recovered by way of charges, including overheads for work done for other Departments, Authorities, Overseas Governments and International Bodies are passed to Consolidated Revenue.

Exhibit
124 / 31

352. We were informed that \$15,000 was provided for the transport of special project equipment to and from Mt. Gambier. Because the projects trials being carried out by the Weapons Research Establishment at Mt. Gambier have been extended the equipment has been left there and is expected to be returned in 1971-72.

Exhibit
124 / 31

353. It was stated that provision of \$40,000 had been made for freight charges for an Antenna being procured by United States Authorities for the Joint United States/Australia Space Project. Due to a strike in the country of supply, delivery of the antenna was not effected until late in June 1970, and as a consequence the freight charges could not be paid in 1969-70. Provision of \$10,000 was also made in the estimates for freight costs following the termination of the European Launcher Development Organisation operations at Woomera. Due to the slippage of the final firing until 12 June 1970 this expenditure was not incurred in 1969-70. We were informed that the estimate included \$2,000 for overseas removal expenses to cover the return of an officer from Britain and the transfer of his replacement to that country. The only costs incurred were \$200 in respect of the officer returning from Britain. The replacement officer had no requirement to transfer effects overseas and therefore did not incur any expenditure.

Exhibits
124 / 31 and 32
and Qs. 1003
to 1006

354. On the advice of the British Authorities \$30,000 was provided in the estimate for freight on Charter Aircraft operated by the British Ministry of Technology. An assurance was given that all accounts would be passed to Australia House for payment in 1969-70 but only \$23,000 was brought to account leaving a shortfall in expenditure of \$7,000.

Exhibit
124 / 31
and Qs. 988 to
991

355. It was stated that \$1,500 was provided at Aeronautical Research Laboratories for freight costs for a particular class of coal procured from North Queensland. The total charges amounted to \$1,100 resulting in an under-expenditure of \$400.

Exhibit
124 / 31

356. We were informed that the Estimate for this Item contained an overprovision of \$1,600 for general freight requirements

supplied by the Stores and Transport Branch to the Aeronautical Research Laboratories. An overprovision of \$28,000 also occurred in the estimates of the Weapons Research Establishment for Stores and Transport Branch charges for general freight requirements in the Adelaide area and for cartage of equipment from Adelaide to Woomera.

Exhibit
124 / 31

357. In relation to the overprovision of \$1,600 it was stated that in 1968-69 a number of aircraft parts were transferred from Aeronautical Research Laboratories to Oaklands in New South Wales and an open day was held at the laboratories involving freight expenditure. These expenditures in 1968-69 were not deleted as non-recurring items when the estimate for 1969-70 was formulated.

Qs.993 and
994

358. The overprovision of \$28,000 was said to relate almost entirely to the Weapons Research Establishment. The Budget was prepared at that Establishment in late April and early May 1969. At that stage it was anticipated that there would be a shortfall in expenditure against the Budget for 1968-69 but it was not expected that the shortfall would be as great as it proved to be. In formulating the estimate for 1969-70 therefore an expected expenditure figure for 1968-69 was used that proved to be faulty. In commenting on this the witness stated that prior to 1968-69 the estimates provided for one item only for the Weapons Research Establishment as related to the Joint Project arrangements. Item 771/2 with no Treasury Items covered the total operational expenses of the Research Establishment. 1968-69 was the first year in which the expenditure of the Weapons Research Establishment was amalgamated with the other research establishments in Item 729/2. Although the Weapons Research Establishment had dissections of its expenditure through its own costing system, these were not identical with the dissections required under Item 729/2. The base on which to build the estimates in 1968-69 therefore had no previous identical accounts.

Qs.995 to
998

CONCLUSIONS

359. There are two features of the evidence on this Item to which Your Committee would invite particular attention. The first of these relates to the provision of \$30,000 based on an assessment made by the Ministry of Technology in Britain. Your Committee believes that such assessments made by overseas Governments require careful scrutiny before their inclusion in the Estimates and that close liaison should be maintained with the overseas Governments concerned to ensure that accounts are received for payment during the year of appropriation.

360. The other matter relates to overprovisions made in the Estimate. So far as the overprovision of \$1,600 is concerned it is clear that the Department failed to apply a basic principle of estimate formulation to which Your Committee has referred on several occasions. The particular principle is that all continuing expenditure must be examined closely in order to eliminate items that are no longer required. The other overprovision, which accounted for about 27 per cent of the total shortfall on the Item, apparently arose from changes that were made in accounting arrangements and which applied initially in 1968-69. Your Committee accepts the difficulties that would be experienced in 1968-69 and in the formulation of the Estimate for 1969-70 arising from these changes. We propose, however to examine the financial results achieved under this Item in 1970-71.

(ii) Item 732/1/01 - Reserve Stocks, Purchases, Stores and materials.

| <u>Funds Available</u> | <u>1967-68</u> | <u>1968-69</u> | <u>1969-70</u> |
|----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Appropriation Act No.1 | 5,000,000 | 4,078,000 | 2,450,000 |
| Appropriation Act No.3 | - | - | - |
| Advance to the Treasurer | - | - | - |
| TOTAL FUNDS AVAILABLE | 5,000,000 | 4,078,000 | 2,450,000 |
| TOTAL EXPENDITURE | <u>4,158,859</u> | <u>3,132,820</u> | <u>1,985,911</u> |
| UNEXPENDED FUNDS AVAILABLE | <u>841,141</u> | <u>945,180</u> | <u>464,089</u> |

361. This item provides for the costs of manufacture of essential explosives materials and purchases of production reserve stocks, raw materials for aircraft spares and long lead materials and components which are procured in advance of anticipated orders from the Defence Services and overseas customers. The proceeds from issues made to Departmental Establishments in aid of production are passed to Division 732/2 whilst recoveries from private industry are passed to Consolidated Revenue. Exhibit 124 / 33

362. We were informed that the Estimate for 1969-70 included \$69,000 for the purchase of tooling and gauges. On 10 September 1969 orders were placed to the value of \$10,500. In January 1970 orders valued at \$2,100 for drawings were placed with two commercial organisations and orders valued at \$61,000 for tooling and gauges were placed with other commercial organisations. At that stage, the value of orders placed amounted to \$74,000 but actual expenditure on tooling and gauges for the year amounted to only \$33,000. When the orders were placed it had been expected that the gauges could be made immediately but, in fact, drawings were not available and had to be ordered by the contractor from other commercial organisations. The shortfall in expenditure arising from those problems amounted to \$36,000. Exhibit 124 / 33 and Qs. 1013 and

363. It was also stated that prior to 1969-70 T.N.T.

had been purchased from Britain. In January 1969 the Department learned from an importing company that supplies could be arranged from Venezuela at an approximate price of US40 cents or US 45 cents per Kilogram which was 20 cents per Kilogram less than the price paid for T.N.T. imported from Britain. Because of the very tight specifications for T.N.T. and the considerable saving that would be involved it was decided that the Army Inspection Unit should send a representative to Venezuela to inspect the plant and satisfy himself of the quality of the product and the processes of production. A favourable report was received from the Army Inspection Unit in mid-September 1969 and an order valued at \$250,000 was placed. The witness added that the carriage of explosives is handled by very few shipping companies and that it is usually necessary to charter a ship for a full load. This can result in delivery delays ranging from 3 to 6 months. The Department had arranged for a ship to load T.N.T. at Venezuela between 20 and 26 September 1970.

Exhibit
124 / 33
and Qs. 1015,
1016 and 1018

364. We were informed that a shortfall of \$83,000 arose from delayed deliveries due to unforeseen contractor production problems. Of that amount, \$54,000 related to a quantity of 2 1/2" bright steel bar which was included in the contractor's March 1970 rolling programme. The bar however was not rolled until July 1970. A further \$10,000 related to special steel for soldiers helmets which was due for delivery in December 1969 but was delayed until June. The remaining \$19,000 related to a quantity of cable which was not delivered due to a machine breakdown that occurred at the contractor's factory. A small delivery was made and paid for in June 1970 but the Department was unable to expedite further deliveries.

Exhibit
124/33

365. The cancellation of programmed items due to changed circumstances resulted in a shortfall of \$101,000 in expenditure. Of this amount \$19,000 arose from a re-assessment of requirements which reduced the need for 7.62MM plastic blank ammunition and procurement of material for bases. A further \$30,000 of this shortfall arose from the earlier placement of an order by

Exhibit
124 / 33
and Q. 1019

the Department of Air for detonator bursters which precluded the need to purchase the item as reserve stock. In this regard the witness stated that advice had been received from the Department of Air that it would place an order in December 1969. To save time in obtaining material the Department of Supply had planned to place an order for the material as soon as possible after the commencement of the financial year. In fact, however, the Department of Air placed its order in August 1969 and this obviated the need to purchase reserve stocks. The witness added that it is departmental policy that if the Department of Supply receives an order from a Service Department, it purchases material against the funds provided on that order. If it has not received an order from a Service Department it purchases from the appropriation for reserve stock in anticipation of the order.

366. Also in connection with the cancellation of programmed items we were informed that an amount of \$145,000 was provided in Appropriation Act No.1 for aircraft materials, the amount being estimated by the Department of Supply having regard to R.A.A.F. predictions of aircraft engine repairs and overhauls. As the year progressed it became clear that the actual number would be substantially less than the earlier predictions. The requirement for aircraft materials was reviewed and the Department of the Treasury was advised in March 1970 of a reduction in the estimate to \$95,000. Actual expenditure was \$93,000 resulting in a shortfall of \$52,000.

Exhibit
124 / 33

367. A shortfall of \$33,000 in expenditure arose from delayed deliveries of magnesium powder (\$19,000) and dye (\$14,000) due to the inability of contractors to deliver material acceptable to the required specifications. Regarding the magnesium powder we were informed that the particular grade is a non-standard military specification and the Department of Supply has experienced considerable difficulty in locating a source of supply. In March 1969 the Department recommended that an order be placed with a Sydney Company who had submitted samples. In May, however, the samples failed the

Exhibit
124/33,
Qs.1020 to
1022

specification tests. In June and July 1969 the Department received samples from another supplier but these also failed the specification test. The Department then arranged to have the specification altered but approval of the new specification was not obtained until February 1970. Tenders were invited, closing on 21 May 1970 but this date was later extended by one week. On 8 June 1970 the Department received one tender which offered unacceptable material. Subsequently the Department requested its London Office to invite tenders in Britain but as at 14 September 1970 an order had not been placed.

368. We were informed that a major error involving a shortfall of \$168,600 in expenditure had occurred in the preparation of the estimates for 1969-70 against the "Reduction of Lead Time" project. This was said to be a special project approved by the Department of Defence to a total value of approximately \$8,500,000 covering a number of munitions items for the purpose of reducing the time needed to increase quantities of these particular stores should the need arise. The separate record by the project management has operated since 1965 when the project was first approved. It takes the form of a separate record for each order placed under the scheme and its delivery.

Exhibit
124 / 33
and Q.1023

369. It was stated that when the Department transferred to Canberra in 1968 many officers, including the particular officer responsible for the maintenance of the special project record, elected to remain in Melbourne. Between January and October 1968 the duties of the particular officer were carried out by other officers who spread the work and kept the record posted. In October 1968 the position was filled by an officer with no training in this particular area.

Q.1023

370. We were informed that special project expenditure in New South Wales for the period concerned was not brought to account. In elaborating on this error the witness stated that the various

authorising officers who pay the accounts submit returns of their expenditure each month to the Planning Branch of the Department. These are used for posting the project management record and for other purposes. The officer appointed in October 1968 was unaware that expenditure on the particular project was incurred in States other than Victoria. The returns from the States were received by another officer prior to distribution, as a check on the system, but this officer did not make the distribution to the "reduction of lead time" project management record. The error became apparent early in January 1970 when an inspection of the records showed that between October 1968 and June 1969 the New South Wales expenditure had not been placed on the project record. Q.1024

371. The witness stated that action has been taken to establish a master record of the States in which expenditure is likely to be incurred. As advices are received from the States they are entered into the master record. Each month the project management record and the appropriation ledger are reconciled with the master record. The witness added that with the co-operation of the Department of the Treasury since July 1969, the Department has been able to include a separate item in the Treasury ADP appropriation ledger so that the total expenditure on the reduction of lead time is shown. Q.1024

372. We were informed that net compensating expenditure of \$52,800 above the estimate arose from variations in costs between original estimates and final quotations for materials. Exhibit 124/33
A further compensating overexpenditure of \$154,000 above the estimate arose from the accelerated delivery of items, particularly copper, the procurement of which had been expected to occur in 1970-71. These deliveries had been accelerated when it became evident that certain items planned for expenditure in 1969-70 would be deferred.

CONCLUSIONS

373. In regard to the orders connected with tooling and gauges Your Committee believes, on the basis of the evidence, that the Department was not justified in assuming that drawings for this equipment were available to the supplier.

374. Your Committee believes that the evidence relating to detonator bursters reflects a need for improved communication between the Department of Supply and the Department of Air in the placing of orders for equipment.

375. It also appears to Your Committee, particularly from the evidence relating to aircraft materials, magnesium powder and dye and other requirements under procurement that, in the case of an item of this nature, the Department would be well advised to take its past experience into account to assist it to achieve a greater degree of realism in the formulation of its Original Estimate. In reaching this view Your Committee is guided not only by the generality of the evidence tendered but also by the fact that in each of the three years 1967-68 to 1969-70 the Department sustained significant shortfalls in expenditure compared with its Estimates and in none of these years was use made of the Additional Estimates.

376. The error of \$168,000 that occurred in the formulation of the estimate for the "Reduction of Lead Time" project in 1969-70 is also a matter of concern to Your Committee. The evidence shows that basically the error arose in connection with staffing losses that occurred when the Department was transferred to Canberra in 1968 and the fact that the relevant replacement staff was inadequately trained. In this regard Your Committee stated in its One Hundred and Twenty-third Report that on several occasions in recent years it has encountered the problems, including staffing losses, confronting departments when transferring their Central Offices to Canberra. In this regard it expressed the view that a clear responsibility rests on the Permanent Heads of such departments to recognise the problems that can arise and to ensure that they

are minimised in the interests of efficient administration.

377. While Your Committee would commend the Department for the action taken subsequent to the discovery of the error, to improve its control procedures relating to the "Reduction of Lead Time" project, the nature of the improvements made suggests strongly that the system operating when the error occurred, was seriously inadequate.

Chapter 11

Conclusions

378. In recent years Your Committee has paid particular attention to the Estimates and related expenditure of the departments. It has stated on several occasions that, as a poor standard of estimating has wide ramifications, it has been not only excess expenditure that has attracted attention but also the overprovision of funds. Your Committee has stated that such overprovisions are undesirable, misleading and, perhaps, unfair to other departments whose financial needs might not have been met fully.

379. As this Report shows, there are explanations for expenditure variations from the Estimates which, arising from unforeseen circumstances or other factors, are acceptable. In this Report, however, as in similar Reports of previous years, we have found it necessary to refer to cases of unsatisfactory estimating that have resulted in shortfalls in expenditure. The evidence illustrates cases where estimates have been formulated on outmoded bases and others where funds have been sought prematurely. In some instances departments have failed to be guided sensibly by their own past experience when bidding for funds in the Original or the Additional Estimates.

380. In several of our Reports we have outlined for the guidance of departments, the principles relating to estimating that have been formulated by the Department of the Treasury and endorsed by Your Committee. 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.

381. Successful financial management however, depends not only on the realistic formulation of estimates but also on efficient administration throughout the financial year. In this regard evidence tendered during our inquiry has revealed cases of inordinate delays having occurred in the placing of orders, clerical errors, misunderstandings and lack of adequate liaison within and between departments. Wherever they have arisen these factors have resulted in unsatisfactory financial performances by the departments concerned. In its inquiries into the estimates and related expenditure of departments Your Committee will continue to highlight these shortcomings in administration wherever and whenever they occur.

382. In our One Hundred and Eighteenth Report we drew attention to cases where witnesses who appeared before us were inadequately briefed on matters of fact referred to in departmental submissions. We stated that such performances on the part of witnesses are timewasting. In our One Hundred and Twenty-third Report we again drew attention to this matter and

also referred to instances of inadequacy in the documentary evidence submitted by departments. In the latter report, however, we also noted with satisfaction that on 16 October 1970 the Secretary to the Treasury had issued Treasury Circular 66/385 to all Permanent Heads. This circular, which relates to the preparation of material and briefing of witnesses for our inquiries includes the following statement:-

"In its 118th Report the Committee invited attention to cases where witnesses who appeared were inadequately briefed on matters of fact referred to in departmental submissions. When tabling that Report in Parliament the Chairman commented specifically on the problem and expressed the hope that Permanent Heads would again be circularised on the importance of thorough briefing and accuracy of departmental submissions by those officers in departments who are likely to be concerned with the preparation of material for the Committee or may be required to appear in person at future public hearings. Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the enquiry.

It would be appreciated if this circular could be brought to the attention of all officers of your Department who become concerned with the preparation of written material for the Committee or are required to attend in person at future hearings of the Committee and all Commonwealth authorities whose affairs come under the administration of your Minister."

In its One Hundred and Twenty-third Report Your Committee drew attention to the fact that while the need for such a circular has arisen from time to time particularly in connection with our inquiries into expenditure from the Advance to the Treasurer and the Consolidated Revenue Fund, it should not be construed as limited to that area but has an equal application in all areas where Your Committee obtains submissions and conducts inquiries on behalf of the Parliament. Your Committee trusts that all Permanent Heads will ensure that the Treasury Circular is distributed widely and understood clearly in all areas where it could have application in each department.

For and on behalf of the Committee,



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



C.J. HURFORD
Acting Chairman

