

FIRST, SECOND THIRD AND FOURTH

R E P O R T S

FROM THE

C O M M I T T E E

OF

P U B L I C A C C O U N T S,

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

M I N U T E S O F E V I D E N C E,

AND APPENDIX.

*Ordered, by The House of Commons, to be Printed,
26 May, 12 July, 20 July, and 24 July 1905.*

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1905.

176, 240, 248, and 260.

ORDER OF REFERENCE.

Ordered,—[Monday, 20th March 1905]:—THAT the Committee of Public Accounts do consist of Fifteen Members.

Committee nominated of—

| | |
|------------------------|------------------------------|
| Sir Frederick Banbury. | Mr. Goddard. |
| Mr. Blake. | Sir William Brampton Gardon. |
| Mr. Gibson Bowles. | Sir Arthur Hayter. |
| Mr. Buchanan. | Mr. Herbert Lewis. |
| Mr. Victor Cavendish. | Sir Robert Mowbray. |
| Mr. Cohen. | Mr. Pym. |
| Mr. Cameron Corbett. | Mr. Yerburgh. |
| Sir Thomas Esmonde. | |

Ordered,—That the Committee have power to send for Persons, Papers, and Records.

Ordered,—That Five be the quorum—(*Sir Alexander Acland-Hood*.)

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F I R S T R E P O R T.

THE COMMITTEE OF PUBLIC ACCOUNTS have made Progress in the Matters to them referred, and have agreed to the following FIRST REPORT:—

ARMY APPROPRIATION ACCOUNT, 1903-4.

1. The total expenditure provided in ordinary and Supplementary Estimates for Army purposes during the year 1903-4 was 43,749,489*l.*, and the gross expenditure for the year amounted to 43,435,120*l.* 12*s.* 7*d.*, being less than the Estimate by 314,368*l.* 7*s.* 5*d.* But there was a deficit upon the Appropriations in Aid of 97,948*l.* 8*s.* 7*d.*, thus reducing the surplus to be surrendered to the Exchequer to 216,419*l.* 18*s.* 10*d.* The Comptroller and Auditor-General has, as in former years, dealt separately with the normal expenditure, and the expenditure connected with the South African War. Your Committee has followed the same course. They do not find many points requiring comment in the normal expenditure.

NEW SYSTEM OF PAYMENT OF SOLDIERS.

2. A new system of paying the soldier has been adopted in most of the units at home, which, though still experimental, seems to promise well from its greater simplicity.

The captain (1) issues cash to the soldier; (2) records payments in his pay and mess book in peace, and in an acquittance roll in war; (3) in peace keeps a regimental stoppage account; (4) keeps a simple account of cash received and disbursed.

The paymaster keeps the ledger accounts and pay lists of the soldiers, and undertakes all other financial transactions for the company. For the first time the soldier will not sign his account in the pay list, but two witnesses and the officer paying the men will do so, thereby assimilating the practice in the Army to that in the Navy (Q. 782-83).

GRANTS ALLOTTED TO GENERAL OFFICERS COMMANDING.

3. Your Committee desire to express their opinion that these grants, not exceeding 500*l.*, placed at the disposal of General Officers commanding, ought to be applied solely to cover unforeseen charges of an exceptional nature, and ought not to be applied, as it appears they have been, to supplement ordinary Votes, and especially to items provided for in Vote 10 (Works and Buildings) (Q. 802).

IMPERIAL YEOMANRY. PAY AND ALLOWANCES.

4. The Comptroller and Auditor-General calls attention to the fact that attendances at recruits training by trained yeomen had been regarded as attendances at squadron training, of which by the Regulations the yeomen must give ten, in order to qualify for pay and allowances as efficient. Your Committee regarding this as a purely military question, referred it to the General Officer in charge of the auxiliary forces,

who in his reply stated, "Under paragraph 146 [Yeomanry Regulations] the officer commanding a squadron has full discretion in selecting the nature of instruction to be given to trained yeomen. It is the duty of the Inspecting Officer to bring to notice any case in which the squadron shows that proper care in the instruction has not been given." The Adjutant-General says, "I entirely concur with the Director of Auxiliary Forces. Paragraph 146 advisedly gives squadron commanders discretion as to the manner in which mounted and dismounted work is to be carried out."

VOTE 9.—WARLIKE STORES. SUB-HEAD B.—GUNS AND CARRIAGES.

5. Two sums, of 7,360*l.* 10*s.* and 5,173*l.* 14*s.*, paid to a firm of contractors for the cost of manufacturing experimental 4·5-inch B.L. Howitzer and 5-inch 60 pr. B.L. heavy equipment are included under this sub-head.

These sums represent the amounts accepted by the contractors after the original bills were reduced upon the protest of the War Office, as the actual cost of the equipments, plus ten per cent. profit. Your Committee are strongly of opinion that these orders ought not to be given by the War Office without reference to the Contract Branch, and that in the case of orders involving considerable sums it would be better to attempt to make some agreement as to price even if the contract were modified (Q. 967). They specially desire to call attention to the fact that although the contractors were asked to state the cost previous to the execution of the orders, they neglected to do so, and the War Office permitted them to execute the orders without insisting on that condition.

VOTE 12.—MEDALS.

6. There has been a very considerable under-estimate in the matter of medals, the estimate being for 1,000*l.*, and the expenditure 25,000*l.* It was explained by the War Office that the decisions as to who were entitled to medals were modified more than once, and large numbers, such as the Town Guards, the Mediterranean and St. Helena garrisons, were ultimately admitted. There was, however, not only an under-estimate but a miscalculation also of the amount of silver in the Mint belonging to the War Office, which could easily have been ascertained. In future the Mint will provide the silver, rendering a yearly account to the War Office of the amount bought, while the War Office will furnish only the numbers of medals required. (Q. 1053).

WIDOWS' PENSIONS.

7. Your Committee desire to express their approval of the change made in the calculation of "the means scale" of a widow, which is now to be calculated on what her income actually is, and not upon what it would be if her securities were sold and invested in Consols. This will bring the Army system into conformity with the Admiralty practice (Q. 1136).

GENERAL BOWLES' LEGACY.

8. Your Committee are glad to learn that the Charity Commissioners have formulated a scheme which will provide for grants from this fund to the wives and children of men who have served in the Coldstream and Scots Guards, and afterwards will provide for payments to any home or charitable institution for the sole benefit of the widows and children of soldiers, and that this scheme has been generally approved (Q. 1160).

SOUTH AFRICAN WAR EXPENDITURE.

9. The net expenditure due to the South African War, included in Accounts of 1903-4, amounted to 3,230,000*l.* (Q. 1172).

IMPERIAL MILITARY RAILWAYS.

10. Your Committee learn with satisfaction from a Minute, dated 30th November 1904, and contained in Appendix No. 3, that the Treasury fully endorse the views expressed in the Third Report of this Committee of last year upon the expenditure by the War Office upon these railways without Parliamentary sanction. The Treasury

say that "My Lords recognise that the proper course would have been to lay the case before Parliament as soon as the facts were ascertained, in order to obtain Parliamentary sanction in Supply, to an expenditure, which though incidental to the War, and necessitated by the circumstances of the time, was of a character so exceptional as not to have been before Parliament when sanctioning the grants from which the expenditure was defrayed. For this omission to present an Estimate before the end of 1903-4 responsibility rests on the Treasury and War Office jointly" (Q. 1177).

The total sum claimed from the Transvaal and Orange River Colonies amounted to 1,250,000*l.* The whole of this claim has been settled for the sum of 500,000*l.* after conferences between the Treasury and the Colonial Secretary, and the sum received after clearing a Suspense Account of the War Office, amounting to 145,000*l.*, has been devoted to the extinction of debt.

Your Committee were not able to enter into all the items of this settlement, which was stated to them by the representative of the Treasury to have been a settlement reached by Ministers on broad grounds of general policy, after the various views held on both sides had been fully put forward upon all the various items dealt with as a whole (Q. 1382-83).

The main contentions in resisting the claim for 1,250,000*l.* in respect of the railways by the Colonies were that the new lines of railway, included in the claim, comprised some which were of a strategic character, and not such as the Colonies, if left to select their own line, would have engaged in constructing. They objected again to other railways, not being strategic, on the ground that the labour and cost expended on them was far in excess of what the Colonies would have expended if they could have constructed them at a time convenient to themselves, and without reference to military conditions. Lastly, the Colonies made a considerable counterclaim. They said, "We have had as Colonies, to purchase these railways, to pay for them, and become their owners at full book values. During the War considerable damage has been done to them, and it seems hard that we who have paid full value should have to take over the line very considerably damaged by military occupation, and that on that ground there should be a considerable rebate from the claim you prefer on expenditure, which we do not dispute, you have actually incurred." This counterclaim embraces deterioration to the whole railway system of the Transvaal, occupied by the military (Q. 1418). It was stated, and the representative of the Treasury was present at the interviews, that it was with great difficulty the Colonies assented to giving 500,000*l.* Your Committee are of opinion that this arrangement, though not satisfactory, was the best obtainable under the circumstances.

RHODESIAN RAILWAY COMPANY.

11. The claims of the Rhodesian Railway Company for the use of their railway during the siege of Mafeking have been finally settled by the payment of 60,000*l.*, in addition to 75,000*l.* previously paid. This settlement was arrived at, after taking the law officers' opinion, on the basis of half the War Office offer, and half the claim of the company being added together (Q. 1226).

RHODESIAN FIELD FORCE.

12. Considerable reference was made in your Committee's Third Report of last year as to the expenditure upon this Force, which amounted to 1,681,818*l.* out of 1,728,383*l.* advanced. The balance of 46,565*l.* has been repaid to the Army Funds, as the unexpended balance in the hands of the company. Great confusion and delay took place it will be remembered, in transshipping the stores for this force, which were landed at Beira, and went through Portuguese territory to Marandellas. For political reasons no Imperial officer was sent to receive these troops and stores, and Captain Partridge, who met them at Marandellas, was subsequently killed in an explosion at Woolwich. Consequently the stores were either very imperfectly vouched, or no vouchers were rendered. Of the 841 mules landed at Beira, which last year could not be traced, 690 have been vouched for by Lieut.-Colonel Beale, Director of Transport in the Rhodesian Field Force, as having actually reached the field force and having gone on service with it (Q. 1247.)

The Treasury are of opinion that the stores were wanted and were bought, but were not brought into Store Account, and that it was owing to the above circumstances that no record of them is now forthcoming (Q. 1260.)

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Your Committee have no reason to doubt this conclusion, and express a hope that the new system of accounting may in future establish an adequate check in detail, through the store accounts, of the stores purchased.

GARRISON INSTITUTES.

13. Your Committee note (and they agree with) the decision of the Treasury that money may only be spent out of the Votes or the Military Works-Loan, upon buildings designed for the actual benefit of the soldier, where his personal comfort is concerned, and not upon the building or renting of buildings for the benefit of a trading company, or the keeping of stock. (Q. 1294-97.)

FINAL CLEARANCE OF IMPERIAL YEOMANRY ACCOUNTS.

14. These accounts, which were alluded to in last year's Report, have now been finally cleared, and show a net deficit of 28,971*l.* 19*s.* 7*d.*, upon a total expenditure of 3,679,990*l.*, which deficit the Treasury has allowed to be written off as irrecoverable. Three chief causes contributed to it. (1) The reallocation to reconstructed companies of numbers assigned to original companies. (2) The impossibility of securing adequate training of officers, and non-commissioned officers in the duties of keeping company accounts. (3) The non-notification of advances and allotments, and non-receipt of transfer documents. The War Office are not likely to allow the first cause to occur again; with regard to the second, they recognise it as their duty to see that adequate provision is made to furnish every corps leaving on foreign service with properly-trained accounting officers, who will keep a check on the expenditure. The third cause of deficiency will, they hope, be obviated by supplying every soldier going on service with a little book showing the allotments he has made of his pay, and what after these deductions is precisely the sum due to him (Q. 1308-10).

SALE OF SURPLUS SUPPLIES.

15. Consideration of paragraphs 82-92 of the Comptroller and Auditor's Report is postponed until the enquiry into the alleged scandals.

BALANCES IRRECOVERABLE AND CLAIMS ABANDONED.

16. The items allowed by the Treasury to be written off on these accounts amount to the large sum of 201,815*l.*, but of this 92,132*l.* relate to cash transactions of previous years, and 109,682*l.* to the year under review. Again, this sum is abnormally swollen by 74,000*l.*, accredited to deficiencies in regimental and other accounts, due to all the companies at the end of the war, sending in their final accounts at once. It includes 28,000*l.* for the Yeomanry alone, already dealt with (Q. 1506).

MODIFICATION OF RULES GOVERNING WRITES-OFF.

17. The powers of writing-off granted to general officers have been extended from 5*l.* to 20*l.* in the case of cash, and in the case of stores from 50*l.* to 100*l.*, with the consent of the local auditor, and the Treasury have approved these extensions (Q. 1530).

NORTH CHINA RAILWAYS ACCOUNT.

18. The indemnity paid by China has now been sufficient to satisfy the claims of all private persons, and in addition, 90,000*l.* has been received by the War Office, in satisfaction of the claims for money advanced to the Director of Railways, China Field Force, for the purchase of rolling stock, and materials for the repair of the line.

STORE ACCOUNTS OF THE ARMY.

19. The amount of Land Service Stores in Reserve Depôts at home and abroad excluding South Africa, was 16,863,600*l.* on 31st March, 1904, as contrasted with 16,990,600*l.* on 31st March, 1903, shewing a decrease of 127,000*l.* The stock in store at South African depôts makes the total up to 18,441,600*l.*

There have been considerable increases in the amounts of clothing, boots, and necessaries, and a decrease in value of rifles and carbines from 1,401,000*l.* to 1,210,100*l.*

Considerable errors have been discovered in the accounts of the stocks in the South African Reserve Depôts, which stocks amount in round figures to 1,600,000*l.* for land service stores, and 500,000*l.* for clothing; but this is accounted for by the fact that stocktaking was impossible during the War, and that large quantities of stores described as serviceable, and valued as such, have since been surveyed, and condemned as unserviceable (Q. 371). Stores in transit were also omitted owing to pressure.

Regular stocktaking is now going on in South Africa, and the representatives of the Comptroller and Auditor-General have tested the Store Accounts at the large Ordnance Stores at Pretoria, Maritzburg, Bloemfontein, and Cape Town (Q. 373).

CLOTHING ACCOUNTS.

20. A considerable miscalculation was made in the Quartermaster-General's office, where a large surplus of clothing was ordered to be laid in, because under Demobilisation Regulations, Reservists, Imperial Yeomanry, and Volunteers, were entitled on discharge to receive either a suit of plain clothes, or an allowance of 13*s.* 6*d.* in lieu thereof. The class of men returning, differing entirely from the common soldier, and in possession of arrears of pay, was not sufficiently considered, and a large surplus of clothing was accumulated owing to the refusal of the men to take it (Q. 376). Ultimately, a few suits were disposed of to the soldiers at reduced prices, and 20,000 were sold by tender, upon which sale a loss of nearly 7,000*l.* accrued.

Your Committee desire to express their regret at this miscalculation in the Quartermaster-General's Department, and their disapproval of the practice of accumulating stores on the chance of their being accepted, in lieu of money, by soldiers returning from active service.

ORDNANCE STORES.

21. In reference to the system of packing ammunition for the field, to which allusion was made in your Committee's Third Report last year, page xvii., we are informed that the Military Authorities are modifying the present packing box and the Master-General of the Ordnance hopes it will be an important improvement upon the old pattern (Q. 397).

A large surplus of arms, amounting to 29,000 rifles and 37,600 sword-bayonets, has been disclosed at Capetown, and this is attributed in part to the failure of the system of dealing with the equipment of wounded men admitted to hospital. The regulations provide that the invalid's arms, ammunition, and accoutrements should be sent from the hospital to the nearest Ordnance Store, from whence a notification is sent to the invalid's Corps in order that the Officer Commanding may clear his accounts. This system broke down owing to the pressure on the Medical Corps, who sent the arms, &c., in bulk, without specifying units. This question is now to be considered in connection with the general question of accounting for equipment in the field, and your Committee are assured that it will receive the very careful attention of the New Accounts Department (Q. 459).

SUPPLY ACCOUNT.

22. Paragraphs 15-19 inclusive, being concerned with the condemnation of Rations and Forage, and the short weight of jam, are reserved for further enquiry and report.

SOUTH AFRICAN SUPPLY ACCOUNTS OUTSTANDING.

23. The outstanding claims against the Cape Government on account of issue shown in the Supply Accounts amounts to 17,000*l.*, some of them relating to 1902. The General Officer Commanding has been urged to hasten the replies, when the Finance Branch of the War Office will close the case. The General's report has not yet been received (Q. 556).

STORE ACCOUNTING ON ACTIVE SERVICE.

24. Your Committee having frequently called attention to this subject, are glad to learn from the Director of Army Finance that it was with the view of dealing with the Accounts and following up the expenditure while it was being incurred, that the

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Accounts Branch was created. That Branch will always have a representative in the field, and keep the accounting going as the money is spent, so far as military conditions permit. The machinery and the accounting officers have been supplied and the Department has been built up; the next step will be to frame such regulations and method of work as by the light of experience will enable the accounting officers to cope with the difficulties as they arise (Q. 588-89).

Your Committee learn that the Army Council regard the prompt examination of accounts in time of war as the essential reform, and that they are of opinion it will be secured by the new Army Accounts Branch. They will furnish a report of its working to the Treasury.

CHELSEA HOSPITAL.

25. There was a deficit upon the Army Prize Fund of 599*l.*, but next year the salary of the Roman Catholic Chaplain, 100*l.*, will be removed from it to the voted funds, and 200*l.* a year personal allowance to the present Lieutenant-Governor will cease on his retirement. Certain payments to miscellaneous funds will in future, with Treasury sanction, be paid to the Army Prize Fund, and thus a balance will be established between income and expenditure.

ARMY CLOTHING FACTORY.

26. The value of the out-turn was 362,777*l.*, as compared with 403,755*l.* in 1902-3, but that was abnormally high owing to the whole of the troops returning from South Africa having to be supplied with full dress, which they had not had for three years. The numbers of the establishment have consequently been reduced, and normal hours have been resumed at the factory for some time.

ARMY ORDNANCE FACTORIES.—APPROPRIATION ACCOUNT.

27. The special plant for the new rifle, for which expenditure up to 24,324*l.* had been incurred last year, has now been increased by 30,616*l.*, and of these amounts the sum of 43,766*l.* has been recovered by charging 8*s.* upon every rifle, the remainder will be recovered by charging 2*s.* 6*d.* per rifle.

The Comptroller and Auditor-General again calls attention to the irregularity of incurring expenditure in anticipation of the Vote of Parliament, but this could be cured by Parliament passing a Vote for the Ordnance Factories before the 31st of March.

ANNUAL ACCOUNTS OF THE ORDNANCE FACTORIES.

28. With a view of comparing prices in these Accounts with prices in the trade, a Note is attached to these Accounts to show that rent of land and interest on capital are not included; it is now proposed that in addition the interest on the cost of machinery and buildings, specially set up for an emergency, and cost of care and custody of Imperial Stock should not be included in making out the charges for the production of the year.

The Comptroller and Auditor-General sees no objection to a Note to this effect being annexed to the Accounts, and your Committee agree.

MILITARY WORKS ACTS ACCOUNTS.

29. The Comptroller and Auditor-General has called the attention of the Committee to a purchase of land for the emplacement of a battery in Ireland under the Act. The valuer appointed by the War Office valued the land at 30*l.*, the owner claimed 8,000*l.*, and the final award of the umpire was 2,040*l.*, which was paid by the War Office. The War Office has promised to investigate (Q. 1689) the matter further.

with a view to obviate the recurrence of such incidents, which appear to have been not uncommon in valuations in Ireland. They have also undertaken (Q. 1696-8) to supply further particulars (as is the practice in the Navy) for the information of Parliament in such cases as may in future arise.

The Comptroller and Auditor General calls attention to the non-compliance (as he deems it) with the terms of Section I. (2) of the Military Works Act of 1897, incorporated in the Act of 1903, in the issue of moneys under the latter Act. The above section runs as follows:—

“Before any moneys are issued for the purpose of expenditure under any head in the Schedule to this Act, a Secretary of State shall submit to the Treasury an estimate, with such details as may be required by the Treasury, of the expenditure under that head for which it is for the time being proposed to issue money, and shall therewith state the period within which it is proposed to expend the money so issued.”

Under Head II of the Act a sum of 2,300,000*l.* is provided for barracks in South Africa, and it appears that large sums were being expended on this service in 1903-4 without a detailed scheme having been approved by the Treasury. The Comptroller and Auditor-General holds that the submission of such a detailed estimate was necessary under the Statute.

The Treasury, on the other hand, say that before the Bill of 1903 was introduced particulars of the purposes for which this money was to be spent were submitted to them by the Secretary of State, and were, in part at any rate, within the knowledge of the Comptroller and Auditor-General (Q. 1746, 1747), and the Treasury hold that they were justified in accepting the statement of particulars before the Bill was introduced as warranting the issue of money after the Bill became an Act.

Your Committee would point out that the Military Works Act authorises the expenditure by the War Department of very large sums of money under each of the four heads of the schedule. The only security that Parliament has that expenditure within these heads shall not be at the general discretion of the War Office but shall be limited to certain specific defined works rests upon the above quoted section of the principal Act. It imposes on the spending department an obligation to present a detailed estimate to the Treasury, and the Treasury are bound to satisfy themselves that these details are sufficient. Without sanction so given no money can be issued under the Act. Your Committee are of opinion that this provision cannot be too strictly adhered to.

In their Minute of 30th November 1904 (App. No. 3), the Treasury support the observations made by your Committee last year (First Report, p. v.) on Military and Naval Works Loan Expenditure. Your Committee believe that if the bulk of these works services are placed on the annual Estimates, a sound system of finance will be resumed, the national accounts will be simplified, and a more efficient control over expenditure will be secured.

PARLIAMENTARY CONTROL—ACCOUNTING OFFICERS.

The attention of your Committee has been called to certain passages in the special Army Order of 6th January 1905, which have given rise to doubts as to their consistency with the Constitutional Parliamentary control over public expenditure. Your Committee, therefore, deem it their duty to affirm the necessity for maintaining unimpaired the established system of accounting to Parliament for the application of public moneys to the purposes for which they are intended by Parliament to provide; and to declare that neither can the existing system of Parliamentary control be altered, nor the strict responsibility attached by it to the Accounting Officers appointed to carry it out be removed, otherwise than by Parliament itself.

¶ In order to remove all doubt or misunderstanding, your Committee recommend that it be distinctly laid down; (1) that in the case of the Army, as of all other Departments, the duty of accounting for moneys received, expended, or in hand, and the responsibility for them, lies upon the Chief Accounting Officer of the Department;

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(2) that the authority over and the responsibility for all Sub-Accounting Officers belong to him; (3) that no part of that authority or responsibility can be diverted from him to any other person whatever; and (4) that in all matters of account, and of payment or receipt, whether matters in dispute or not, the Sub-Accounting Officer is authorised and required to communicate directly with the Chief Accounting Officer.

26 May 1905.

THE SECOND REPORT.

THE COMMITTEE OF PUBLIC ACCOUNTS have made further Progress in the Matters to them referred, and have agreed to the following SECOND REPORT:—

CIVIL SERVICE APPROPRIATION ACCOUNT.

The total Grants for the Civil Service in the year 1903-4 amounted to 47,723,016*l.*, of which the total expenditure was 47,119,657*l.* 17*s.* 6*d.* leaving a surplus of 603,358*l.* 2*s.* 6*d.* The Appropriations in Aid, after deducting those which were less than estimated, make with the surplus the sum to be surrendered to the Exchequer up to 743,181*l.* 13*s.* 9*d.*

CLASS I. VOTE 1. ROYAL PALACES.

There was a considerable saving in the year under review upon Osborne House amounting to 2,739*l.* in wages only, because the alterations could not be completed in time to admit of the opening of the Convalescent Home for Naval and Military Officers before the close of the year. The Home has now been finally completed, and the patients admitted.

CLASS I. VOTE 6. DIPLOMATIC AND CONSULAR BUILDINGS.

There is an excess expenditure upon this vote of 1,442*l.* 6*s.* 8*d.* for which a Vote of Parliament will be required. It is attributed to the mistake of charging the cost of site of the new Consulate at Cairo to this year's account, instead of to that of 1904-5, where provision for it was made. The covering authority of the Treasury was given for the purchase of the site, but the bargain ought not to have been concluded until presented to Parliament in the Estimates of the following year (Q. 2253-4). A local agent borrowed the money from a bank, and there was no choice but to repay it. Your Committee strongly disapprove of this proceeding, which removed the expenditure from the cognizance of Parliament, and caused an excess on the Vote, but as Treasury sanction was given to the purchase, your Committee cannot recommend the rejection of the excess Vote by Parliament.

CLASS I. VOTE 7. REVENUE BUILDINGS—POST OFFICE.

Your Committee desire to call attention to the large sums taken for proposed works, viz., Post Office 120,000*l.*, and Telegraphs 65,470*l.*, making 185,470*l.*, without any separate details of estimated expenditure. This is a much larger expenditure than usual, and is explained by the necessity for making up arrears on the works, which the Postmaster-General stated had been starved during the War (Q. 2272). Your Committee are aware that it would be impossible to present even approximately accurate estimates of the numerous small works undertaken by the Post Office, but inasmuch as Parliament is thus deprived of complete control before the initiation of these works, your Committee are of opinion that the Treasury should only sanction the inclusion in the Estimates of such large sums as these without detail in cases of the most proved and pressing necessity.

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CLASS II. VOTE 23. STATIONERY AND PRINTING.

The Treasury directed the attention of your Committee to the purchase by the Admiralty of a sun-printing frame for the use of the Gunnery Establishment at Whale Island for the sum of 47*l.* 10*s.*, when one could have been supplied for 6*l.* The instrument is said to be well worth the price, but the Admiralty, as they admit, purchased an unnecessarily elaborate and expensive article (Q. 2478), probably through insufficient knowledge on the part of the purchasing officer of what sun-printing apparatus were capable of. Inasmuch, however, as both the Admiralty and War Office, at the instance of the Treasury, have agreed to surcharge officers in future in similar cases (Q. 2488), your Committee do not deem it necessary to disallow this charge.

CLASS IV. VOTE 3. NATIONAL GALLERY.

In consequence of the recommendation of your Committee, the Trustees of the National Gallery have ceased to allow Messrs. Cassell to sell their illustrated catalogue in the inner hall of the Gallery, and by the Gallery officials; it still competes with the official catalogue (Q. 2809), but not in the inner hall. But inasmuch as no term has yet been fixed to the arrangement with Messrs. Cassell, the Secretary has undertaken to bring the matter before the Trustees, deeming it very advisable that such a term should be fixed (Q. 2813).

CLASS IV. VOTE 10. PUBLIC EDUCATION (IRELAND).

Under expenditure of 10,600*l.* having been shown this year under Sub-head E, 2, "Monitors and their travelling expenses," following upon under expenditure in previous years, the Treasury should, in the opinion of your Committee, press the Irish Government to make some substantial reduction in the estimate of 40,000*l.* for this service.

CLASS V. VOTE 1. DIPLOMATIC AND CONSULAR SERVICE.

The Comptroller and Auditor-General calls attention to certain accounts of an exceptional character administered by Diplomatic and Consular Officers. These include large sums advanced by H.M. Minister at Peking from public moneys in his hands, in anticipation of payments from the Chinese indemnity; fines levied on a district for the murder of two Missionaries received by the Consul-General at Hankow; an indemnity paid in respect of illegal likin duties levied upon various traders and paid to the Consul-General at Yunnan-fu; and the balance of certain tonnage duties refunded by the Brazilian Government and held by the Consul at Pernambuco.

These amounts were not included in the accounts of public moneys rendered by the several officers as sub-accountants of the Foreign Office, nor in the cash accounts rendered for audit by the Comptroller and Auditor-General.

The representative of the Foreign Office appeared to consider that it was quite sufficient to have a balance certificate from the Consuls, to show that they have the money, but that the sums need not be entered in the Foreign Office Accounts, inasmuch as they are sums paid to the Consuls for certain claimants, and not intended to come to the British Government at all.

Your Committee do not agree with this view, and they recommend that all such payments should be entered in the Foreign Office Accounts, and rendered to the Comptroller and Auditor-General for his review and audit. Thus alone can the total balance due from Consular Officers be ascertained, and your Committee trust that the Treasury will insist in all cases upon the maintenance of this sound financial practice.

CLASS V. VOTE 3. TRANSVAAL AND ORANGE RIVER COLONY.

The Comptroller and Auditor-General arranged last year to send out an officer of his Department to apply a test audit to the accounts in South Africa of the grants of 3,000,000*l.* and 2,000,000*l.* made to the burghers. The first grant was voted "for free grants to the burghers of the Republics, to assist their restoration to their homes, and the supply of necessaries for the resumption of their normal occupations as provided in Article 10 of the Terms of Surrender."

The Repatriation Departments of the Transvaal and Orange River Colonies purchased stock, seed, implements, food, and other necessaries urgently required to repair the ravages of war, and issued them from a number of local Repatriation Depôts. The value of advances in kind amounted to 3,528,871*l.* 19*s.* 2*d.* (Report of C. and A.G. on Vote 3, par. 7), for which receipts were taken from the burghers.

The auditor examined the distribution, and the local inspection of the accounts proved "that all expenditure had been duly authorised, and that the Colonial auditors had exercised a complete and satisfactory check over the records showing the receipts and payments of the Repatriation Departments.

The accounts of the distribution of the 2,000,000*l.* for grants to other persons in respect of war losses in the two Colonies were also examined and found (Q. 2992) satisfactory. 300,000*l.* of this sum was set apart to meet the claims of natives in the two Colonies, a large portion of the remainder was distributed by the Judicial Commission among such subjects and foreigners as have been able to substantiate claims on account of war losses, and a surplus of 188,000*l.* remained available in the hands of the Judicial Commission on August 31 1904. The Comptroller and Auditor-General is satisfied that the expenditure out of this grant of 2,000,000*l.* has been in accordance with the terms of the Estimate (Report, par. 8).

CLASS V. UGANDA RAILWAY ACTS, 1896-1902.

The total issues of 5,311,000*l.* have been made, and the railway account has been closed. Any further expenditure will fall upon the Protectorate.

CLASS VI. VOTE 1. MERCHANT SEAMEN'S FUND PENSIONS.

The Treasury suggest to the Public Accounts Committee that it would be desirable to transfer the Estimate for Merchant Seamen's Fund Pensions to be a sub-head of the Estimate for Mercantile Marine Services (Class II. Vote 9), as the former Estimate is now reduced to a sum of 2,300*l.*, and will continue to decrease (Q. 3075). Your Committee see no objection to this transfer.

FORM OF ESTIMATES—REVENUE DEPARTMENTS.

Attention has been drawn by the Comptroller and Auditor-General to the payment of 126,000*l.* for Post Office sites in the course of the financial year 1904-1905 by cheques bearing dates prior to the 31st March, 1904, with a view to charging expenses actually falling within the year 1904-1905 to the votes of the preceding year on which there would otherwise have been a considerable surplus.

The Treasury on being asked whether they approved of this proceeding, replied (Q. 2060), "That holding as we do the same view as the Comptroller and Auditor-General as to the proper method of accounting, we should say that the warrants in these cases should not have been issued until after the 31st March." In this view your Committee entirely concur.

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The Treasury forward to your Committee a letter from the Postmaster-General, urging the adoption of his proposal for the amalgamation of the three Post Office Votes, together with a Memorandum from the Comptroller and Accountant-General of the Post Office also urging the advantages of the amalgamation, and the Treasury request your Committee to take the subject into their consideration.

Your Committee believe that there would be a considerable saving of Parliamentary time, inasmuch as three Estimates have now to be considered by Parliament, although the Services covered by the three Votes are essentially one; and also a saving of Departmental time, since hardly any payment can be made on Common Service account, without a consideration of how it will affect both the Post Office and Telegraph Votes. The salaries of 85 per cent. of the staff of 190,000 persons are voted in two portions, viz., in the Post Office and Telegraph Estimates. In all ranks, from highest to lowest, "the personnel" is common to both Services. The cost of conveyance of mails is included partly in the Post Office and partly in the Packet Vote. The cost of sites and rentals of premises are shared between the Post Office and Telegraph Votes, and the whole administration is under the Postmaster-General. The annexed copy of the Estimate in the proposed form shows that no item at present submitted to the House of Commons is withdrawn from observation, but that the juxtaposition of items, whether of Post Office, Packet, or Telegraph Service, enables them to be readily compared.

Your Committee, therefore, recommend the amalgamation of the three Votes.

TREASURY CHEST.—CONSOLIDATED FUND.—CIVIL CONTINGENCIES FUND.—LOCAL LOANS FUND.

These Accounts call for no observation.

12 July 1905.

THIRD REPORT.

THE COMMITTEE OF PUBLIC ACCOUNTS have made further Progress in the Matters to them referred, and have agreed to the following THIRD REPORT:—

STORE ACCOUNTS OF THE ARMY

1. Your Committee are desirous of making a further Report upon certain paragraphs in the Comptroller and Auditor General's Report upon the Store Accounts of the Army, the consideration of which was postponed by your Committee until further evidence had been taken.

JAM CONTRACT.

2. Paragraph 19 of the Report is as follows: "It was noticed in the Durban Supply Account for July 1903, that 337,704 lbs. of jam had been written off charge under the following circumstances: On the sale of surplus jam remaining on hand after the close of the war, the contractor who purchased it found that large quantities of tins contained only 12 oz. of jam; and as 1,350,816 of these tins were held on charge as containing 1 lb. of jam each, it became necessary to write off charge 337,704 lbs. in respect of the short weight of 4 oz. in each tin. It was seen on reference to some of the contracts for the purchase of jam, that they included a provision that it should be supplied in tins containing 1 lb. each." "The item of 1,583*l*. shown on the list of losses, on page 176 of the Account, represents this deficiency, not at the purchase price of the jam, but at the rate the surplus jam was sold at Durban." Upon this the then Director of Contracts, Sir Alfred Major, states (Qs. 3122-3) "The jam was ordered in 1 lb. or 2 lb. tins, as the case may be, without stating how many ounces. In the Colonies from whence the jam came they sell it at nominal weight. The general interpretation of nominal weight at the War Office is that the tin contains about 14½ oz.; the nominal weight means that the tin, including the jam, weighs 1 lb. The tin weighs, as a rule, about 2 oz., therefore, taking 1 lb. tin of jam, if you put it into scale it would weigh 1 lb., but if you emptied out the jam the jam would only come to about 14 or 15 oz., say 14½ oz." (Q. 3125). The Army Service Corps Officer had these tins on his books as 1 lb. tins, not knowing how many ounces they contained; and he sold them as 1 lb. tins. The contractor alleges that he bought the tins believing that they contained an exact pound of jam. The War Office, in their reply to the Comptroller and Auditor General, state that the apparent loss which occurred must be attributed partly to a clerical error in taking on charge as pounds quantities which were only nominal pounds, and partly to a reduction in weight, due to crystallisation, consequent upon a lack of adequate storage. (Qs. 358-361). Your Committee think it unfortunate that the War Office, having accepted tenders for jam in 1 lb. or 2 lb. tins, some nominal and some actual, did not specially draw the attention of those who took the jam on charge to the fact that there was this difference. The Director of Contracts states that the prices in either case were reasonable and that no loss was occasioned to the public, since a difference was made in the price according to the number of ounces in the tins when purchased (Qs. 3163, 3190).

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3. Your Committee are of opinion that the mistake is mainly attributable to the mis-description in the Army Service Officer's books, and that the write off in respect of the short weight was inevitable.

CONDEMNATIONS OF RATIONS AT HOME.

4. In paragraph 17 of the Store Accounts the Comptroller and Auditor General states, "In addition to the rations destroyed in South Africa, it appears that 497,125 "Emergency Rations were condemned at home. Of this number 365,000 were replaced "by the contractor, but many of these were subsequently found unsound. A proposed "final settlement of the claim against the contractor has recently been submitted to "the Treasury for their approval."

5. The whole of these Emergency Rations were supplied by Messrs. Maconochie. But of the original issue of 497,125 Emergency Rations the War Office themselves supplied sufficient pemmican for 98,794 rations, and of the second issue of 365,600 the War Office supplied sufficient pemmican to make up 231,498 rations. There were therefore nearly 400,000 rations of the first issue and 134,102 of the second into which War Office pemmican from Woolwich could not have entered (Qs. 188 and 191). Messrs. Maconochie signed a guarantee that these rations would keep for two years. They were delivered between December 1899 and May 1900, and they were first found defective in October 1901 (Q. 194). These rations were not exposed to any rough treatment, as they were retained at home; 362,552 rations at Woolwich and 134,860 at home stations.

6. Messrs. Maconochie's contention is perhaps best stated in the following paragraphs from their own letter to the Director of Contracts, dated 26 May 1902 (Letter 19, Appendix Paper 5): "Might we again call to your recollection what occurred. A large "and urgent demand was made upon you for your special Emergency Rations, which "your Department that had the manufacturing of these could not cope with, "and we were asked what we could do to assist you in the matter, and we promised "to lay on one side all our business in Scotland and place our factory there at "your disposal, providing you would pay any extra expense incurred for machinery, "material, and manufactured goods going and coming. It was at a time of great "stress and anxiety for all concerned as the numerous telegrams and urgent letters "from you will confirm.

"You, like ourselves, understood that these rations were intended for "immediate consumption, or at any rate consumption within the course of a few "months, and never at any time did you either verbally, or in writing, ask (and "we should have been surprised if you expected) a guarantee for this special "article of your own, and when we signed the ordinary printed form, it was done "inadvertently by us as we have previously pointed out to you on several former "occasions. We have never understood or been informed that any guarantee was "expected from us, and it was well understood that these goods were only being manu- "factured for and on your account, and you probably remember that we pointed out "to you at the time, that this form of ration could not be expected to keep very "long in tropical climates, and we cannot see how you can possibly expect us " (even had the time limit not expired) to replace them."

7. The then Director of Contracts, Sir A. Major, distinctly traverses part of this contention by saying that it was the contractor's business to raise the question if he objected to a guarantee, that the contractor undoubtedly signed the contract with the two years' guarantee, and did not raise the question of guarantee until the rations went bad (Qs. 3255-59).

8. It cannot be maintained that the rations went bad owing to the effect of a tropical climate, inasmuch as they never went abroad.

The Director of Contracts seems, however, himself to have taken a lax view of contracting, and of the official form of tender embodying the guaranty, this being used, he says, "only as a means of confirming the arrangement . . . the order was "given verbally." It is therefore not inconceivable that he may have conveyed to Messrs. Maconochie the impression they allege they received that the tender was "only intended for office reference."

9. The Treasury have after much correspondence and dispute, accepted a compromise, by which Messrs. Maconochie pay the sum of 2,500*l.*, and surrender 131,525 of the old rations, which had not been replaced by their firm.

10. Your Committee while admitting that the manufacture of these rations was something in the nature of an experiment, are of opinion that Messrs. Maconochie sent in defective rations, and that they cannot plead either the effect of a tropical climate, or rough usage, or the presence of Woolwich pemmican to excuse the non-fulfilment of their contract for the supply of Emergency Rations for the troops.

Your Committee feel it right to draw the attention of the House to Clause 9 of the contract signed by Messrs. Maconochie, viz. : "No member of the House of Commons shall be admitted to any part or share of this contract or to any benefit to arise therefrom."

11. Your Committee entirely agree with the views expressed upon this matter in the Treasury letter, 8th March, 1905 (see Appendix No. 16): "My Lords, however, feel it necessary to record their disapproval of the informal waiver of any part of the terms of a formal contract. They do not deny that there are cases where it may be proper, and even necessary, to depart from the customary forms of tender and contracts, but in such cases the contracts should embody the terms actually agreed upon, and not embody stipulations which the War Office have no intention of enforcing, still less terms and conditions which the agent of the War Office has by antecedent resolutions deprived the War Office of any authority to enforce."

DESTRUCTION OF RATIONS IN SOUTH AFRICA.

12. In paragraph 16 of the Stores Account, the Comptroller and Auditor General states "That the total number of rations destroyed in South Africa (inclusive of those at Durban) were as follows :—

| | |
|--|------------------|
| 1,034,532 Emergency Rations at 1 <i>s.</i> 4 <i>d.</i> each (price given by W. O.) | £ 68,969 |
| 4,537,090 Meat and vegetable Rations at 1 <i>s.</i> each (price given by W. O.) | 226,854 |
| | <u>£ 295,823</u> |

13. Of these 974,630 Emergency and 267,612 Meat and Vegetable Rations were condemned during the period of the War, the remainder having been condemned since the termination of hostilities.

14. The names of the 14 contractors who supplied these rations, besides some from Woolwich, and some from firms unknown, will be found in Appendix Paper No. 4, page 7. A considerable portion of these rations were condemned at the Durban Supply Depot.

15. A Committee of Inquiry, which included Mr. Flynn a financial expert, sat to inquire into the condemnation of these rations and other stores and found (1) That destruction was absolutely necessary; (2) that deterioration was hastened by want of proper storage; (3) that in the circumstances the stacking of stores in the open was unavoidable; (4) that in so far as individual responsibility is concerned the officers performed their duties satisfactorily, and that losses were due to circumstances beyond their control.

16. The Treasury have upon the assurance of the Army Council, that no blame, so far as the Council are aware, attaches to any person for the condition of the rations in question, and in view of the finding of the Departmental Committee on the administration of the Durban Supply Depot just quoted, agreed to write off 203,027*l.*, being the value at purchase prices of supplies destroyed by order of various Boards at Durban in 1902-3. (Treasury Letter, 6th January 1905. Appendix Paper No. 4).

DEFICIENCIES OF DURBAN SUPPLY DEPOT ACCOUNTS

17. A further write off of 32,000% is requested by the Army Council, representing the net deficiencies in the accounts of the Durban Supply Depot. The same Committee of Inquiry reported.

(1) That these deficiencies are attributable to the extreme pressure existing at Durban, to the inadequacy of the Army Service Corps Staff, and to the frequent changes in personnel.

(2) That each officer assumed charge without taking stock, but that in view of the paucity of officers, and the impossibility of closing down, this is not a matter of surprise, and that there is abundant evidence that stock of the most important articles was constantly being taken from time to time.

(3) That in their opinion the bulk of the deficiencies may undoubtedly be ascribed to errors of account, that no efforts within the power of the officers was spared for the protection of public supplies, and that it is impossible to suppose the deficiencies represent actual loss to the State.

(4) They estimate the supplies that passed through Durban at not less than 6,000,000%; the deficiency of 32,000%, now disclosed, being $\frac{1}{2}$ per cent. on the turnover. The Treasury (Letter, 19th September 1904), authorise the write off.

Neither this case nor in the destruction of rations do your Committee find themselves in a position either to criticise the finding of the Committee, or to question the decision of the Treasury.

THE DUAL SYSTEM OF CONTRACT.

18. Your Committee also briefly examined Lieut.-General Sir Neville Lyttelton and the late Director of Contracts. Sir Neville Lyttelton informed your Committee that "the main reasons for adopting the system of sales and purchases, known as "the dual system, in order to get rid of the huge accumulations of stores as rapidly as "possible were (a) the urgent and repeated demands of the railway authorities for the "evacuation of their ground upon which many of our depots stood. Truckloads of "civil supplies were beginning to come in which could not be unloaded, as there was "no place to store their contents, and the trucks, which were urgently required were "perforce compelled to stand idle in demurrage. (b) The necessity for sending home "as many of the Army Service Corps personnel as possible, as well as of disbanding "the numerous native labourers employed in connection with these stores. (c) Civil "owners were also clamouring for the evacuation of their premises or for the rent of "them, which during the war was seldom paid. (d) Above all, the heavy losses "incurred through the deterioration of the stuff, much of which had been standing for "months, even years, exposed to sun, rain, white ants, etc." (Q. 3383.)

19. The system of introducing a contractor having been adopted by Lord Kitchener, and followed by Sir Neville Lyttelton, your Committee learnt with some surprise from the then Director of Contracts, Sir A. Major, that he had no representative in South Africa to control the contracts made. (Q. 3565). The contracts for forage in South Africa after having been made were sent home and were checked as for purchase by the Director of Contracts, who approved, *e.g.*, of 17s. 11d. for purchase of 100 lbs. of oats, but he knew nothing about the sale at 11s. per 100 lbs. to the same man at the same place. (Qs. 3568-70). Of this the Director of Contracts states that he heard not a word. (Q. 3586). It appears to be a regulation that all contracts made either at home or at foreign Stations should come up to the War Office for review, but this is after the contract has been made, and the functions of the Director of Contracts are limited to finding fault, and pointing out what might have been done. But a still greater safeguard was withdrawn, in the abolition of the appointment of Financial Adviser to the General Commanding in the Field, after Colonel Armstrong, Sir Fleetwood Wilson's successor, came home in April 1903. Sir Fleetwood Wilson, who was the first Financial Adviser in 1901, states (Q. 3646): "There was no financial system in connection with contracts in "South Africa until I got there; then Lord Kitchener represented to me his "anxiety in connection with the very heavy expenditure of public money which was

"going on, and he was most anxious that I should assist him in elaborating some system which would be a check on contracts. I accordingly suggested to Lord Kitchener that in South Africa (where at the time in 1901 I was Financial Adviser), a system should be instituted with a view to establishing a better check upon local expenditure, and that no contract for Supply Services extending over a period, and involving an expenditure exceeding 1,000*l.* a month, could be concluded without previous reference to the Financial Adviser of the Commander-in-Chief, to be made through the Director of Supplies at Headquarters in Pretoria."

After Lord Kitchener went home in the middle of 1902, the Army was divided into three commands, viz., the Cape, Natal, and the Transvaal and Orange River Colonies. It appears, however, that a short time after Lord Kitchener's departure from South Africa in June, 1902, Colonel Armstrong, who had succeeded Sir Guy Fléetwood Wilson as Financial Adviser, ceased to fill that office, that no successor to him was appointed, and that at the time the dual contracts were made there was in fact no Financial Adviser to the General whatever. (Qs. 3648, 3651, 3654, 3656, 3660 and 3662.) Looking to the vast stores still accumulating at Pretoria, and the views of the military authorities that these stores could best be disposed of by the intervention of contractors, no more unfortunate decision than to leave vacant the post of Financial Adviser to the General in the field could possibly, in the opinion of your Committee, have been arrived at. The General in the field is of necessity constantly absent from Headquarters on military duty in every part of his command and it is impossible for him to supervise intricate financial transactions, to know the weekly condition of the stores, or adequately to control even the largest contracts.

Your Committee desire emphatically to reiterate their opinion that no General in the field ought to be without a Financial Adviser of high standing. With regard to other transactions alluded to in these Reports, your Committee desire to repeat the opinion they have so often expressed, that a corps of trained accountants should always accompany any military expedition in order that rapid and accurate accounting for every financial operation may be secured, and the losses which any campaign may entail, and this South African War in particular, has entailed upon the public, may be minimised.

The arrangements for the new Accounts Branch of the War Office provide for this, but further experience is necessary before any opinion can be formed of their adequacy.

REFUNDS TO CONTRACTORS.

20. Your Committee have not thought it right to enter into the special cases which have been referred to the Royal Commission. Numerous queries have been from time to time addressed by the Comptroller and Auditor-General to the War Office with reference to sales and re-purchases of Army Stores in South Africa, and to certain refunds made there to Contractors. A list of *seventeen* such queries, whereof the first was dated 16th December 1903, and the last 13th December 1904, will be found in the Appendix. Replies from the War Office have been received to some of these queries, but as to *seven* of them the Army Council has expressed the opinion that they cannot at present be disposed of.

| | £ | s. | d. | |
|------------------------------|---------|----|----|--|
| 21. In regard to the sums of | 1,671 | 19 | 6 | refunded to Mr. Stepney, July 1903. |
| " " " | 21,232 | 17 | 9 | " Mr. Meyer, May 1903. |
| " " " | 739 | 0 | 8 | " Messrs. Wilson & Worthington, July 1903. |
| " " " | 1,542 | 0 | 0 | " Messrs. Wilson & Son, Cape Town. |
| Making a total sum of | £25,185 | 17 | 11 | |

The points raised upon these items being specific, and not as in the case of the dual system of contracts, involving broader questions of administration,
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your Committee recommend that they should be removed from the Account of 1903-4 and charged to a Suspense Account pending further investigation. This will enable the Comptroller and Auditor-General to make a further Report upon these points in connection with the Army Appropriation Accounts for 1904-5.

IMPERIAL YEOMANRY ACCOUNTS.

22. Your Committee desire to take this opportunity of correcting an error, into which they were led by imperfect evidence in their Report upon these Accounts last year.

In your Committee's Third Report last year they stated that "Out of the total amount granted (1,262,000*l.*) to the Imperial Yeomanry Committee it appears that for more than one-third (460,000*l.*) no details or vouchers can be produced (Q. 3308), and failing these the Comptroller and Auditor General asked for a certificate from the accountants. He has received this certificate, but it is to an account in a summary form, without any sub-vouchers for purchases (Q. 3311). It is obvious that this being the certificate of the expending parties, and unsupported by vouchers, is in the highest degree unsatisfactory, and precludes any real audit of the accounts."

It now appears from a debate in the House of Lords on 7th April 1905, that these vouchers do exist, and the Under Secretary for War supports the testimony of Colonel Lucas, of the Imperial Yeomanry Committee, on that subject. The Under Secretary stated "that the vouchers were not called for, because the War Office considered the sums expended were covered by the capitation grant of 75*l.* per man and horse provided for the Imperial Yeomanry Committee. The same course exactly is followed with regard to the Volunteer capitation grant of 35*s.* per man given to the commanding officers, and no vouchers are asked for."

Your Committee regret that these facts were not communicated to them nor the vouchers produced to the Comptroller and Auditor-General.

20 July 1905.

FOURTH REPORT.

THE COMMITTEE OF PUBLIC ACCOUNTS have made further Progress in the Matters to them referred, and have agreed to the following FOURTH REPORT:

NAVY APPROPRIATION ACCOUNT.

1. THE Expenditure provided for Navy Services by Estimates, and a Supplementary Estimate, in the year 1903-4 was 37,144,841*l.* The actual Expenditure was 37,242,791*l.* 15*s.* 5*d.* There was, therefore, an Excess over the Grants of 97,950*l.* 15*s.* 5*d.*, for which a Vote of Parliament will be required. The Appropriations in Aid show an excess of receipts amounting to 115,974*l.* 0*s.* 6*d.*, and if the excess expenditure of 97,950*l.* 15*s.* 5*d.* be met out of this, there would remain a net surplus to be surrendered to the Exchequer of 18,023*l.* 5*s.* 1*d.*

Your Committee recommend this course be adopted by means of a token Vote being brought before Parliament.

VOTE 2. VICTUALLING.

2. A new system of Rations was introduced into the Navy on the 1st of October 1903 (Q. 3719). Certain new articles were added, such as jam, coffee, compressed vegetables, preserved meat, and condensed milk, and additions were made to existing rations of tea, sugar, and fresh vegetables, and slight reductions made in chocolate, salt pork, and salt beef (Q. 3747-48). But the men retain the right of "taking up savings," *i.e.*, receiving money, instead of all the new articles, and they exercise the privilege to so large an extent that the revised system of victualling is found to mean not better diet, but increased money receipts to the men.

Under these circumstances the matter is being reconsidered by the Admiralty.

VOTE 8. SHIPBUILDING III. CONTRACT WORK.

3. Notice was taken in your Committee's First Report of last year of the policy of making increased use of private shipbuilding yards for effecting repairs, owing to the congestion of Government Dockyards. This policy is found to be more costly, and has occasioned various excesses on this Vote. It is now intended to discontinue it (Q. 3838), and to do all repairs in the Dockyards.

LIMIT OF COST OF NEW WORKS, ESTIMATED UNDER PART I., RAISED FROM
1,000*l.* to 2,000*l.*

4. In consequence of a recommendation of Sir Clinton Dawkins' Committee that the limit should be extended from 1,000*l.* to 2,000*l.* within which the War Office might undertake a work on its own responsibility, without specifying it separately in

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the Estimates, a similar change has been made in Naval Estimates as regards Works and Grants-in-Aid of Works, and the same latitude has been granted to the Admiralty as to the War Office.

AERIAL CABLEWAY—CAPE OF GOOD HOPE.

5. The total estimate for this work has been progressively increased from 4,000*l.* to 7,950*l.*, or has been approximately doubled. The Treasury at first refused to give their covering sanction, quoting the opinion of your Committee, expressed in their Third Report of 1901: "That it is of great importance that estimates of cost submitted for Parliamentary sanction should be such as the House of Commons can accept as final." Colonel Raban explained that the business of making this aerial cableway to convey men and materials up to the Naval Sanatorium at the top of the mountain behind Simonstown was quite new to the Department, and they took the advice of a firm who had constructed one at the Cape (Q. 3981), and invited tenders. After, however, the machinery was supplied they found the consequential works were much more extensive than they anticipated, and so the estimate grew. The Admiralty representative expressed his regret at the unfortunate estimate of the cost of a work with which his Department was unfamiliar, and of which, through inexperience, it was unable to form an accurate estimate. The Treasury have since given their covering sanction, and your Committee do not dispute it.

PAYMENT TO CONTRACTORS BEFORE CONTRACTS ARE SIGNED.

6. The Comptroller and Auditor-General calls attention in Paragraph 30 to the fact that certain payments were made to contractors in anticipation of the signing of contracts, and that these payments during the years 1902-3 and 1903-4 amounted to about 89,000*l.* and 494,000*l.* respectively. The reasons for doing this were the difficulties in settling the form of contracts, and arriving at a specification which could be agreed upon by both parties, and by the Law Officers (Q. 4149). The form of contract has now been settled, and your Committee are glad to learn that this very irregular practice will be discontinued in the future.

STORE ACCOUNTS OF THE NAVY.

7. The value of the Stocks of Naval Stores and Dockyard-made Machinery on the 31st of March, 1904, was 4,196,817*l.*, as compared with 3,977,919*l.* brought forward on 1st of April, 1903, showing an increase of 218,898*l.* in the year.

The stock of Steam Vessel Coal showed an increase of 159,041*l.*, the value of the stock increasing from 578,137*l.* to 737,178*l.*

VICTUALLING YARD STORES.

8. For the first time the system of age limits has been applied to Provisions. This was introduced upon the recommendations of the Committee on Navy Rations and the condemnations amounted to 4,300*l.*

ATTEMPTED SALVAGE OF NATAL GOVERNMENT FLOATING DOCK.

9. In this case coal, wire hawser, and other stores were expended by H.M. Ship "Monarch" in the unsuccessful endeavour to save this floating dock, which was stranded in Mossel Bay on the South Coast of Africa. No claim has been made upon the Salvage Association of London, who urgently asked for the assistance of the "Monarch" on behalf of the underwriters, because in Counsel's opinion no claim can be sustained even against a salvage association unless the attempt to save is successful. If however it had been successful, a claim for the loss of stores would have been made.

GREENWICH HOSPITAL. VICTUALLING YARD MANUFACTURING ACCOUNTS.

10. No observations are required on these Accounts.

NAVAL WORKS' ACTS.

11. A question has arisen upon the Admiralty entering upon a contract by which the sum of 50,000*l.* voted for Chatham Dockyard Extension would be exceeded to the amount of 20,000*l.* It was entered into by the Director of Works (Q. 4357) without referring to the Accountant-General, and approved by the Admiralty, without the sanction of the Treasury. The Admiralty had told Parliament that a total sum of four and a half millions would be required for this work, and had placed plans in the House of Commons. Under these circumstances they did not deem it necessary to go to the Treasury before extending their liability.

Your Committee are of opinion that the Admiralty were mistaken, and that they had no power to exceed the 50,000*l.* mentioned as the token sum. The Treasury and the Comptroller and Auditor-General concur in this view.

DOCKYARD EXPENSE ACCOUNTS.

12. Your Committee desire to point out that no less than 160,000*l.* was spent on the refits of vessels now about to be sold as of being no further use to the Navy. It was also stated (Q. 4535) that the refits had not added much to the value of the ships, because they are not sold for commercial purposes, and fetch little more than the price of old iron. (Q. 4536.) Your Committee cannot too strongly condemn so extravagant a policy.

It appeared that the cost of refits of the various vessels referred to in Par. 19 of the Comptroller and Auditor-General's Report was not provided for in the Naval Programme for the year.

Your Committee desire to emphasise the opinions expressed by them in previous Reports, that if there be any departure of an extensive character from the Naval Programme it should be at once reported by the Admiralty to the House of Commons.

24 July 1905.

 PROCEEDINGS OF THE COMMITTEE.

Friday, 24th March 1905.

MEMBERS PRESENT :

| | |
|-------------------------|------------------------|
| Sir Arthur Hayter. | Mr. Goddard. |
| Mr. Victor Cavendish. | Sir Thomas Esmondé. |
| Sir W. Brampton Gurdón. | Mr. Cohen. |
| Mr. Buchanan. | Mr. Yerbürgh. |
| Mr. Blake. | Sir Frederick Banbury. |
| Sir Robert Mowbray. | |

Sir ARTHUR HAYTER was called to the Chair.

The Army Appropriation Account (Votes 6 and 7) and the Store Accounts of the Army were considered.

Sir *Guy Fleetwood Wilson*, C.B., Mr. *R. Chalmers*, C.B. Mr. *J. A. Kempe*, C.B., Mr. *H. J. Gibson*, C.B., and Lieut.-General Sir *William Butler*, K.C.B., were examined.

[Adjourned till Friday next, at Two o'clock

Friday, 31st March 1904.

MEMBERS PRESENT :

Sir ARTHUR HAYTER in the Chair.

| | |
|------------------------|-------------------------|
| Sir Robert Mowbray. | Mr. Buchanan. |
| Mr. Goddard. | Mr. Yerbürgh. |
| Mr. Pym. | Sir W. Brampton Gurdón. |
| Mr. Cohen. | Mr. Victor Cavendish. |
| Mr. Blake. | Mr. Herbert Lewis. |
| Sir Frederick Banbury. | |

The Store Accounts of the Army were further considered.

Sir *Guy Fleetwood Wilson*, C.B., Mr. *R. Chalmers*, C.B., Mr. *J. A. Kempe*, C.B., and Mr. *H. J. Gibson*, C.B., were examined.

[Adjourned till Friday next, at Two o'clock.

Friday, 7th April 1905.

MEMBERS PRESENT :

Sir ARTHUR HAYTER in the Chair.

| | |
|-------------------------|------------------------|
| Sir Robert Mowbray. | Mr. Buchanan. |
| Mr. Goddard. | Mr. Cavendish. |
| Mr. Pym. | Mr. Yerbürgh. |
| Sir W. Brampton Gurdón. | Sir Frederick Banbury. |
| Mr. Cohen. | Mr. Cameron Corbett. |
| Mr. Blake. | |

The Store Accounts of the Army were further considered.

Sir *Guy Fleetwood Wilson*, C.B., Mr. *Robert Chalmers*, C.B., Mr. *J. A. Kempe*, C.B., and Mr. *H. J. Gibson*, C.B., were examined.

[Adjourned till Friday next, at Two o'clock.

Friday, 14th April 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

| | |
|-------------------------|--------------------|
| Mr. Victor Cavendish. | Mr. Cohen. |
| Sir W. Brampton Gurdon. | Mr. Goddard. |
| Mr. Pym. | Mr. Herbert Lewis. |

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, C.B., Mr. *J. A. Kempe*, C.B., Mr. *Gibson*, C.B., and Mr. *R. Chalmers* C.B., were examined.

[Adjourned till Tuesday next, at half-past Three o'clock.

Tuesday, 17th April 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

| | |
|-------------------------|-----------------------|
| Mr. Goddard. | Mr. Victor Cavendish. |
| Mr. Pym. | Mr. Buchanan. |
| Mr. Cohen. | Mr. Herbert Lewis. |
| Sir W. Brampton Gurdon. | |

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, C.B., Mr. *J. A. Kempe*, C.B., Mr. *H. J. Gibson*, C.B., and Mr. *Robert Chalmers*, C.B., were examined.

[Adjourned till Friday, 5th May, at Two o'clock.

Friday, 5th May 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

| | |
|-----------------------|-------------------------|
| Sir Robert Mowbray. | Mr. Gibson Bowles. |
| Mr. Victor Cavendish. | Sir W. Brampton Gurdon. |
| Mr. Cohen. | Mr. Herbert Lewis. |
| Mr. Blake. | Sir Frederick Banbury. |
| Mr. Buchanan. | |

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, C.B., Mr. *J. A. Flynn*, Mr. *Robert Chalmers*, C.B., Mr. *J. A. Kempe*, C.B., and Mr. *J. H. Gibson*, C.B., were examined.

[Adjourned till Friday next, at Two o'clock.

Friday, 12th May 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

| | |
|-------------------------|---------------------|
| Mr. Victor Cavendish. | Mr. Blake. |
| Sir W. Brampton Gurdon. | Mr. Cohen. |
| Mr. Gibson Bowles. | Mr. Pym. |
| Mr. Buchanan. | Sir Robert Mowbray. |
| Sir Frederick Banbury. | Mr. Herbert Lewis. |

The Army Appropriation Account was further considered.

Sir *Guy Fleetwood Wilson*, C.B., Mr. *Robert Chalmers*, C.B., Mr. *J. A. Kempe*, C.B., and Mr. *H. J. Gibson*, C.B., were examined.

[Adjourned till Friday next, at Two o'clock.

Friday, 19th May 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

Sir Robert Mowbray.
Mr. Goddard.
Mr. Victor Cavendish.
Sir W. Brampton Gurdon.
Mr. Bowles.
Sir Thomas Esmonde.

Mr. Buchanan.
Mr. Herbert Lewis
Mr. Yerburgh.
Mr. Pym.
Sir Frederick Banbury

The Chelsea Hospital Account was considered.

Major-General *G. Salis Schwabe* was examined.

The Army Clothing Factory Accounts was examined.

Colonel *C. G. Jeans* was examined.

The Military Works Acts Accounts were considered.

Sir *Guy Fleetwood Wilson* was examined:

The Ordnance Factories Account and the Ordnance Factories (Appropriation) Account were considered.

Mr. *H. F. Donaldson*, M.I.C.E., was examined.

[Adjourned till Friday next, at Two o'clock.

Friday, 26th May 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

Mr. Victor Cavendish.
Sir W. Brampton Gurdon.
Mr. Gibson Bowles.
Mr. Buchanan.
Sir Frederick Banbury.

Mr. Cohen.
Mr. Pym.
Sir Robert Mowbray.
Mr. J. Herbert Lewis.

Mr. *R. Chalmers*, C.B., Mr. *J. A. Kempe*, C.B., and Mr. *H. J. Gibson*, C.B., were examined.

The Room cleared. The Committee deliberated.

DRAFT FIRST REPORT, proposed by the *Chairman*, brought up and read the first time as follows:—

ARMY APPROPRIATION ACCOUNT, 1903-4.

1. The total expenditure provided in ordinary and Supplementary Estimates for Army purposes during the year 1903-4 was 43,749,489*l.*, and the gross expenditure for the year amounted to 43,435,120*l.* 12*s.* 7*d.*, being less than the Estimate by 314,368*l.* 7*s.* 5*d.* But there was a deficit upon the Appropriations in Aid of 97,948*l.* 8*s.* 7*d.*, thus reducing the surplus to 216,419*l.* 18*s.* 10*d.* The Comptroller and Auditor-General has, as in former years, dealt separately with the normal expenditure and the expenditure connected with the South African War. Your Committee has followed the same course. They do not find many points requiring comment in the normal expenditure.

CONTRIBUTION FROM EGYPT.

2. The contribution from Egypt has been raised from 87,000*l.* to 100,000*l.*, after conferences between His Majesty's Government and Lord Cromer, the garrison being reduced, and your Committee understand that the sum fixed represents approximately the extra cost for the troops remaining in Egypt.

NEW SYSTEM OF PAYMENT OF SOLDIERS.

3. A new system of paying the soldier has been adopted in most of the units at home, which, though still experimental, seems to promise well from its greater simplicity:

The captain (1) issues cash to the soldier; (2) records payment in his pay and mess book in peace, and in an acquittance roll in war; (3) in peace keeps a regimental stoppage account; (4) keeps a simple account of cash received and disbursed.

The paymaster keeps the ledger accounts and pay lists of the soldiers, and undertakes all other financial transactions for the company. For the first time the soldier will not sign his account in the pay list, but two witnesses and the officer paying the men will do so, thereby assimilating the practice in the Army to that in the Navy (Q. 782-83).

GRANTS ALLOTTED TO GENERAL OFFICERS COMMANDING.

4. Your Committee desire to express their opinion that these grants, not exceeding 500*l.*, made to General Officers commanding, ought to be applied solely to cover unforeseen charges of an exceptional nature, and ought not to be applied, as it appears they have been, to supplement ordinary Votes, and especially to items provided for in Vote 10 (Works and Buildings) (Q. 2802).

IMPERIAL YEOMANRY. PAY AND ALLOWANCES.

5. The Comptroller and Auditor-General calls attention to the fact that attendances at recruits training by trained yeomen had been regarded as attendances at squadron training, of which by the Regulations the yeomen must give ten, in order to qualify for pay and allowances as efficient. Your Committee regarding this as a purely military question, referred it to the General Officer in charge of the auxiliary forces, who in his reply stated, "Under paragraph 146, the officer commanding a squadron has full discretion in selecting the nature of instruction to be given to trained yeomen. It is the duty of the Inspecting Officer to bring to notice any case in which the squadron shows that proper care in the instruction has not been given." The Adjutant-General says, "I entirely concur with the Director of Auxiliary Forces. Paragraph 146 advisedly gives squadron commanders discretion as to the manner in which mounted and dismounted work is to be carried out."

VOTE 9.—WARLIKE STORES. SUB-HEAD B.—GUNS AND CARRIAGES.

6. Two sums, of 7,360*l.* 10*s.* and 5,173*l.* 14*s.*, paid to a firm of contractors for the cost of manufacturing experimental 4.5-inch B.L. Howitzer and 5-inch 60 pr. B.L. heavy equipment are included under this sub-head.

These sums represent the amounts charged by the contractors after the original bills were reduced upon the protest of the War Office, and which they were induced to accept as the actual cost of the equipments, plus ten per cent. profit. Your Committee are strongly of opinion that these orders ought not to be given by the War Office without reference to the Contract Branch, and that in the case of orders involving considerable sums it would be better to attempt to make some agreement as to price even if the contract were modified (Q. 967). They specially desire to call attention to the fact that although the contractors were asked to state the cost previous to the execution of the orders they neglected to do so, and the War Office permitted them to execute the orders without insisting on that condition.

VOTE 12.—MEDALS.

7. There has been a very considerable under-estimate in the matter of medals, the estimate being for 1,000*l.*, and the expenditure 25,000*l.* It was explained by the War Office that the decisions as to who were entitled to medals were modified more than once, and large numbers such as the Town Guards, the Mediterranean and St. Helena garrisons, were ultimately admitted. There was, however, not only an under-estimate but a miscalculation also of the amount of silver in the Mint, which could easily have been ascertained. In future the Mint will provide the silver, rendering a yearly account to the War Office of the amount bought, while the War Office will furnish only the number of medals required.

WIDOWS' PENSIONS.

8. Your Committee desire to express their approval of the change made in the calculation of "the means scale" of a widow, which is now to be calculated on what her income actually is, and not upon what it would be if her securities were sold and invested in Consols. This will bring the Army system into conformity with the Admiralty practice (Q. 1136).

GENERAL BOWLES' LEGACY.

9. Your Committee are glad to learn that the Charity Commissioners have formulated a scheme which will provide for grants from this fund to the wives and children of men who have served in the Coldstream and Scots Guards, and afterwards will provide for payments to any home or charitable institution for the sole benefit of the widows and children of soldiers, and that this scheme has been generally approved of (Q. 1160).

SOUTH AFRICAN WAR EXPENDITURE.

10. The net expenditure due to the South African War, included in Accounts, 1903-4, amounted to 3,230,000*l.*

IMPERIAL MILITARY RAILWAYS.

11. Your Committee learn with satisfaction from a Minute, dated 30th November, 1904, and contained in Appendix No. 3, that the Treasury fully endorse the views expressed in the Third Report of this Committee upon the expenditure by the War Office upon these railways without Parli-

mentary sanction. The Treasury say that "My Lords recognise that the proper course would have been to lay the case before Parliament as soon as the facts were ascertained, in order to obtain Parliamentary sanction in Supply, to an expenditure, which though incidental to the War, and necessitated by the circumstances of the time, was of a character so exceptional as not to have been before Parliament when sanctioning the grants from which the expenditure was defrayed. For this omission to present an Estimate before the end of 1903-4 responsibility rests on the Treasury and War Office jointly" (Q. 1177). The total sum claimed from the Transvaal and Orange River Colonies amounted to 1,250,000*l.*, including imprest advances to the Cape Paymaster of 588*l.* The whole of this amount has been settled for the sum of 500,000*l.* after conferences between the Treasury and the Colonial Secretary, amongst a number of other claims against the two Colonies, and the amount after clearing a Suspense Account of the War Office, amounting to 145,000*l.*, has been devoted to the extinction of debt.

Your Committee were not able to enter into all the items of this settlement, which was stated to them by the representative of the Treasury to have been a settlement reached by Ministers on broad grounds of general policy, after the various views held on both sides had been fully put forward upon all the various items dealt with as a whole (Q. 1382-83).

The main contentions in resisting the claim for 1,250,000*l.* in respect of the railways by the Colonies were that the new lines of railway, included in the claim, comprised some which were of a strategic character, and not such as the Colonies, if left to select their own line, would have engaged in constructing. They objected again to other railways, not being strategic, on the ground that the labour and cost expended on them was far in excess of what the Colonies would have expended if they could have constructed them at a time convenient to themselves, and without reference to military conditions. Lastly, the Colonies made a considerable counter-claim. They said, "We have had as Colonies to purchase these railways, to pay for them, and become their owners at full book values. During the War considerable damage has been done to them, and it seems hard that we who have paid full value should have to take over the line very considerably damaged by military occupation, and that on that ground there should be a considerable rebate from the claim you prefer from expenditure, which we do not dispute, you have actually incurred." This counter-claim embraces deterioration to the whole railway system of the Transvaal, occupied by the military (Q. 1418.) It was stated, and the representative of the Treasury was present at the interviews, that it was with great difficulty the Colonies assented to giving 500,000*l.* Your Committee see no grounds for dissenting to this arrangement as an equitable solution of the matter.

RHODESIAN RAILWAY COMPANY.

12. The claims of the Rhodesian Railway Company for the use of their railway during the siege of Mafeking have been finally settled by the payment of 60,000*l.*, in addition to 75,000*l.* previously made. This settlement was made on the basis of the law officers' opinion, by the Financial Secretary of the War Office and the company, and resulted in about half the War Office offer, and half the claim of the company being added together (Q. 1226).

RHODESIAN FIELD FORCE.

13. Considerable reference was made in your Committee's Third Report of last year as to the expenditure upon this Force, which amounted to 1,681,818*l.* out of 1,728,383*l.* advanced. The balance of 46,565*l.* has been repaid to the Army Funds, as the unexpended balance in the hands of the company. Great confusion and delay took place it will be remembered, in transshipping the stores for this force, which were landed at Beira, and went through Portuguese territory to Marandellas. For political reasons no Imperial officer was sent to receive these troops and stores, and Captain Partridge, who met them at Marandellas, was subsequently killed in an explosion at Woolwich. Consequently the stores were either very imperfectly vouched, or no vouchers were rendered. Of the 841 mules landed at Beira, which last year could not be traced, 690 have been vouched for by Lieut.-Colonel Beale, Director of Transport in the Rhodesian Field Force, as having actually reached the field force and having gone on service with it (Q. 1247.)

The Treasury are of opinion that the stores were wanted and were bought, but were not brought into Store Account, and that no record of them can now be forthcoming (Q. 1260.)

Your Committee have no reason to doubt this conclusion, and express a hope that the new system of accounting may in future establish an adequate check in detail, through the store accounts, of the stores purchased.

GARRISON INSTITUTES.

14. Your Committee note (and in it they agree) the decision of the Treasury that money may only be spent out of the Votes or the Military Works Loan, upon buildings designed for the actual benefit of the soldier, where his personal comfort is concerned, and not upon the building or renting of buildings for the benefit of a trading company, or the keeping of stock. (Q. 1294-97.)

FINAL CLEARANCE OF IMPERIAL YEOMANRY ACCOUNTS.

15. These accounts, which were alluded to in last year's Report, have now been finally cleared, and show a net deficit of 28,971*l.* 19*s.* 9*d.*, upon a total expenditure of 3,679,990*l.*, which deficit the Treasury has allowed to be written off as irrecoverable. Three chief causes contributed to it. (1) The re-allotment to reconstructed companies of members assigned to original companies. (2) The impossibility of securing adequate training of officers and non-commissioned officers in the duties of keeping company accounts. (3) The non-notification of advances and allotments and non-

receipt of transfer documents. The War Office are not likely to allow the first cause to occur again; with regard to the second, they recognise it as their duty to see that adequate provision is made to furnish every corps leaving on foreign service with properly-trained accounting officers, who will keep a check on the expenditure. The third cause of deficiency will, they hope, be obviated by supplying every soldier going on service with a little book showing the allotments he has made of his pay, and what after these deductions is precisely the sum due to him (Q. 1308-10). Paragraphs 82-92 of the Comptroller and Auditor's Report are postponed until the enquiry into the alleged scandals.

BALANCES IRRECOVERABLE AND CLAIMS ABANDONED.

16. These items allowed by the Treasury to be written off amount to the large sum of 201,815*l.*, but out of this 92,132*l.* relate to cash transactions of previous years, and 109,682*l.* to the year under review. Again, this sum is abnormally swollen by 74,000*l.*, accredited to deficiencies in regimental and other accounts, due to all the companies at the end of the war sending in their final accounts at once. It includes 28,000*l.* for the Yeomanry alone, already dealt with (Q. 1506). With regard to 20,771*l.*, due to Allotments of Pay, it is hoped that the practice to be in future adopted, of giving each soldier a small book showing allotments made at home, will obviate the possibility of again paying him twice over.

MODIFICATION OF RULES GOVERNING WRITES-OFF.

17. The powers of writing-off granted to general officers have been extended from 5*l.* to 20*l.* in the case of cash, and of stores from 50*l.* to 100*l.*, with the consent of the local auditor, and the Treasury have approved these extensions.

NORTH CHINA RAILWAYS ACCOUNT.

18. The indemnity paid by China has now been sufficient to satisfy the claims of all private persons, and in addition 90,000*l.* has been received by the War Office in satisfaction of the claims for money advanced to the Director of Railways, China Field Force, for the purchase of rolling stock, and materials for the repair of the line.

STORE ACCOUNTS OF THE ARMY.

19. The amount of Land Service Stores in Reserve Depots at home and abroad, excluding South Africa, was 16,863,600*l.* on 31st March, 1904, as contrasted with 16,990,600*l.* on 31st March, 1903, showing a decrease of 127,000*l.* The stock in store at South African depots makes the total up to 18,441,600*l.*

There have been considerable increases in the amounts of clothing, boots and necessaries, and a decrease in value of rifles and carbines from 1,401,000*l.* to 1,210,100*l.*

Considerable errors have been discovered in the accounts of the stocks in the South African Reserve Depots, which stocks amount in round figures to 1,600,000*l.* for land service stores, and 500,000*l.* for clothing; but this is accounted for by the fact that stocktaking was impossible during the War, and that large quantities of stores described as serviceable, and valued as such, have since been surveyed and condemned as unserviceable (Q. 371). Stores in transit were also omitted owing to pressure.

Regular stocktaking is now going on in South Africa, and the representatives of the Comptroller and Auditor-General have tested the Store Accounts at the large Ordnance Stores at Pretoria, Maritzburg, Bloemfontein, and Cape Town.

CLOTHING ACCOUNTS.

20. A considerable miscalculation was made in the Quartermaster-General's office, where a large surplus of clothing was ordered to be laid in, because under Demobilisation Regulations, Reservists, Imperial Yeomanry, and Volunteers, were entitled on discharge to receive either a suit of plain clothes or an allowance of 13*s.* 6*d.* in lieu thereof. The class of men returning, differing entirely from the common soldier, and in possession of arrears of pay, was not sufficiently considered, and a large surplus of clothing was accumulated owing to the refusal of the men to take it (Q. 376). Ultimately, a few suits were disposed of to the soldiers at reduced prices, and 20,000 were sold by tender, upon which sale a loss of nearly 7,000*l.* accrued.

Your Committee desire to express their regret at this miscalculation in the Quartermaster-General's Department, and their disapproval of the practice of accumulating stores on the chance of their being accepted, in lieu of money, by soldiers returning from active service.

ORDNANCE STORES.

21. In reference to the system of packing ammunition for the field, to which allusion was made in your Committee's Third Report last year, page xvii., we are informed that the Military Authorities are modifying the present packing box, and the Master-General of the Ordnance hopes it will be an important improvement upon the old pattern (Q. 397).

A large surplus of arms, amounting to 29,000 rifles and 37,600 sword-bayonets, has been disclosed at Capetown, and this is attributed in part to the failure of the system of dealing with the equipment of wounded men admitted to hospital. The regulations provide that the invalid's rans, ammunition, and accoutrements should be sent from the hospital to the nearest Ordnance

Store, from whence a notification is sent to the invalid's Corps in order that the Officer Commanding may clear his accounts. This system broke down owing to the pressure on the Medical Corps, who sent the arms, &c., in bulk, without specifying units. This question is now to be considered in connection with the general question of accounting for equipment in the field, and your Committee are assured that it will receive the very careful attention of the New Accounts Department (Q. 459).

Paragraphs 15-19 inclusive, being concerned with the condemnation of rations and forage, and the short weight of jam, are reserved for further enquiry and report.

SOUTH AFRICAN SUPPLY ACCOUNTS OUTSTANDING.

22. The outstanding claims against the Cape Government on account of issue shown in the Supply Accounts amounts to 17,000*l.*, some of them relating to 1902. The General Officer Commanding has been urged to hasten replies, when the Finance Branch of the War Office will close the case. The General's report has not yet been received (Q. 556).

STORE ACCOUNTING ON ACTIVE SERVICE

23. Your Committee having frequently called attention to this subject, are glad to learn from the Director of Army Finance that it was with the view of dealing with the accounts and following up the expenditure while it was being incurred, that the Accounts Branch was created. That Branch will always have a representative in the field, and keep the accounting going as the money is spent, so far as military conditions permit. The machinery and the accounting officers have been supplied and the Department has been built up; the next step will be to frame such regulations and method of work as by the light of experience will enable the accounting officers to cope with the difficulties as they arise (Q. 588-89).

Your Committee learn that the Army Council regard the prompt examination of accounts in time of war as the essential reform, and that they are of opinion it will be secured by the new Army Accounts Branch. They will furnish a report of its working to the Treasury.

CHELSEA HOSPITAL.

24. There was a deficit upon the Army Prize Fund of 599*l.*, but next year the salary of the Roman Catholic Chaplain, 100*l.*, will be removed from it to the voted funds, and 200*l.* a year personal allowance to the present Lieutenant-Governor will cease on his retirement. Certain payments to miscellaneous funds will in future, with Treasury sanction, be paid to the Army Prize Fund, and thus a balance will be established between income and expenditure.

ARMY CLOTHING FACTORY.

25. The value of the out-turn was 362,777*l.*, as compared with 403,755*l.* in 1902-3, but that was abnormally high owing to the whole of the troops returning from South Africa having to be supplied with full dress, which they had not had for three years. The numbers of the establishment have consequently been reduced, and normal hours have been resumed at the factory for some time.

ARMY ORDNANCE FACTORIES.—APPROPRIATION ACCOUNT.

26. The special plant for new rifle, for which expenditure up to 24,324*l.* had been incurred last year, has now been increased by 30,616*l.*, and whereas this expense has been recovered up to 43,766*l.*, by charging 8*s.* upon every rifle, the remainder will be recovered by charging a lower rate, viz., 2*s.* 6*d.* per rifle.

The Comptroller and Auditor-General again calls attention to the irregularity of incurring expenditure in anticipation of the Vote of Parliament, but this can only be cured by Parliament passing a Vote for the Ordnance Factories before the 31st of March.

ANNUAL ACCOUNTS OF THE ORDNANCE FACTORIES.

27. With a view of comparing prices in these Accounts with prices in the trade, a Note is attached to these Accounts to show that rent of land and interest on capital are not included; it is now proposed that in addition the interest on the cost of machinery and buildings, specially set up for an emergency, and cost of care and custody of Imperial stock should not be included in making out the charges for the production of the year.

The Comptroller and Auditor-General sees no objection to a Note to this effect being annexed to the Accounts, and your Committee agree.

MILITARY WORKS ACTS ACCOUNTS.

28. The Comptroller and Auditor-General has called the attention of the Committee to a purchase of land for the emplacement of a battery in Ireland under the Act. The valuer appointed by the War Office valued the land at 30*l.*, the owner claimed 3,000*l.*, and the final award of the umpire was 2,040*l.*, which was paid by the War Office. The wide discrepancy between the original valuation of 30*l.* and the awarded sum of 2,040*l.* seems to point to insufficient consideration on the part of the War Office valuer. The War Office has promised to investigate (1689) the matter further, with a view to obviate the recurrence of such incidents, which appear to have been not uncommon in valuations in Ireland. They have also undertaken (1696-8) to supply further particulars (as is the practice in the Navy) for the information of Parliament in such cases as may in future arise.

The Comptroller and Auditor General calls attention to the non-compliance (as he deems it) with the terms of Section I. (2) of the Military Works Act of 1897, incorporated in the Act of 1903, in the issue of moneys under the latter Act. The above section runs as follows:—

“ Before any moneys are issued for the purpose of expenditure under any head in the Schedule to this Act, a Secretary of State shall submit to the Treasury an estimate, with such details as may be required by the Treasury, of the expenditure under that head for which it is for the time being proposed to issue money, and shall therewith state the period within which it is proposed to expend the money so issued.”

It appears that no estimate was submitted by the Secretary of State for War to the Treasury with details of expenditure under the various heads after passing of the Act of 1903, and the Comptroller and Auditor-General hold that the submission of such a detailed estimate was necessary under the Statute.

The Treasury, on the other hand, say that before the Bill of 1903 was introduced particulars of the purposes for which the money was to be spent under the various heads were submitted to them by the Secretary of State, and were, in part at any rate, within the knowledge of the Comptroller and Auditor-General (1746, 1747), and the Treasury hold that they were justified in accepting the statement of particulars before the Bill was introduced as warranting the issue of money after the Bill became an Act.

Your Committee would point out that the Military Works Act authorises the expenditure by the War Department of very large sums of money under each of the five heads of the schedule. The only security that Parliament has that expenditure within these heads shall not be at the general discretion of the War Office but shall be limited to certain specific defined works rests upon the above-quoted section of the principal Act. It imposes on the spending department an obligation to present a detailed estimate to the Treasury, and the Treasury are bound to satisfy themselves that these details are sufficient. Without sanction so given no money can be issued under the Act. Your Committee are of opinion that this provision cannot be too strictly adhered to.

Motion made and question, That the Draft Report be read a second time, paragraph by paragraph,—put, and *agreed to*.

Paragraph 1, *agreed to*.

Paragraph 2, *disagreed to*.

Paragraphs 3-7, amended, and *agreed to*.

Paragraph 8, *agreed to*.

Paragraphs 9 and 10, amended, and *agreed to*.

Paragraph 11. Amendments made:

Question, That all the words of the paragraph as far as the word “jointly” in line 10 of the paragraph stand part of the Report,—put, and *agreed to*.

Lines 10-15, amended, and *agreed to*.

Question put, That all the words from the words “Your Committee” in line 16, to “500,000l.” in line 34, stand part of the Report.

The Committee divided—

Ayes, 5.

Mr. Victor Cavendish.
Mr. Cohen.
Sir William Brampton Gurdon.
Sir Robert Mowbray.
Mr. Pym.

Noes, 4.

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Herbert Lewis.

Another amendment made, paragraph as amended *agreed to*.

Paragraphs 12-17 amended and *agreed to*.

Paragraphs 18-21 *agreed to*.

Paragraph 21 amended and *agreed to*.

Paragraphs 22-25 amended and *agreed to*.

Paragraph 26 amended and *agreed to*.

Paragraph 27 *agreed to*.

Paragraph 28.

Amendment made.

Another amendment proposed in line 11 to leave out the words “(As he deems it)” —
(Mr. Gibson Bowles.)

0.3.

Question put that the words "(As he deems it)" stand part of the paragraph. The Committee divided. Ayes, 5; Noes, 4.

Ayes, 5.

Sir Frederick Banbury.
Mr. Buchanan.
Mr. Victor Cavendish.
Sir William Brampton Gurdon.
Sir Robert Mowbray.

Noes, 4.

Mr. Gibson Bowles.
Mr. Cohen.
Mr. Herbert Lewis.
Mr. Pym.

Another amendment proposed to add, at the end of the paragraph, the words, "In their minute of 30th November, 1904 (App. No. 3), the Treasury support the observations made by your Committee last year (First Report, p. v.) on Military and Naval Works Loan Expenditure. Your Committee believe that if the bulk of these works services are placed on the annual estimates a sound system of finance will be resumed, the national accounts will be simplified, and a more efficient control over expenditure will be secured."—(Mr. Buchanan).

Question,—That those words be there added—put and *agreed to*.

Paragraph as amended *agreed to*.

Another amendment proposed:

That the following new paragraph be inserted in the Report:—

PARLIAMENTARY CONTROL—ACCOUNTING OFFICERS.

The attention of your Committee has been called to certain passages in the special Army Order of 6th January, 1905, which have given rise to doubts as to their consistency with the Constitutional Parliamentary control over public expenditure. Your Committee therefore deem it their duty to affirm the necessity for maintaining unimpaired the established system of accounting to Parliament for the application of public moneys to the purposes for which they are intended by Parliament to provide; and to declare that neither can the existing system of Parliamentary control be altered, nor the strict responsibility attached by it to the Accounting Officers appointed to carry it out be removed, otherwise than by Parliament itself.

The Army Order in question neither has in fact, nor could have been intended to have, the effect of altering in any way the established system of Parliamentary control, exercised through your Committee, the Comptroller and Auditor-General, and the Accounting Officers; or of impairing in any degree the accountability and responsibility of those officers.

In order to remove all doubt or misunderstanding, your Committee recommend that it be distinctly laid down: (1) that in the case of the Army, as of all other Departments, the duty of accounting for monies received, expended, or in hand, and the responsibility for them, lies upon the Chief Accounting Officer of the Department; (2) that the authority over and the responsibility for all Sub-Accounting Officers belong to him; (3) that no part of that authority or responsibility can be diverted from him to any other person whatever; and (4) that in all matters of account, and of payment or receipt, whether matters in dispute or not, the Sub-Accounting Officer is authorised and required to communicate directly with the Chief Accounting Officer.—(Mr. Gibson Bowles.)

Amendment proposed to leave out the words after the word "itself," in line 8, to the word "Officers" (inclusive), in line 12.—(Sir Robert Mowbray).

Question put, That those words stand part of the proposed now paragraph.

The Committee divided.

Ayes, 4.

Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Cohen.
Mr. Herbert Lewis.

Noes, 5.

Sir Frederick Banbury.
Mr. Victor Cavendish.
Sir William Brampton Gurdon.
Sir Robert Mowbray.
Mr. Pym.

Question, That this paragraph as amended be inserted in the Report—put, and *agreed to*.

Question, That this Report as amended be the First Report of the Committee to the House—put, and *agreed to*.

Ordered, To Report.

[Adjourned till Friday next at Two o'clock.]

Friday, 2nd June 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

| | |
|----------------------|-------------------------|
| Sir Robert Mowbray. | Mr. Bowles. |
| Mr. Goddard. | Mr. J. Herbert Lewis. |
| Mr. Buchanan. | Sir W. Brampton Gurdon. |
| Mr. Cohen. | Mr. Victor Cavendish. |
| Mr. Cameron Corbett. | Sir Frederick Banbury. |

The Revenue Departments Accounts were considered.

Mr. *C. Neville Potter*, Mr. *Alfred Stair*, and Mr. *Charles King* were examined.

The Consolidated Fund, Civil Contingencies Fund, and Treasury Chest Accounts were considered.

Mr. *W. Blain* was examined.Mr. *J. A. Kempe*, c.b., and Mr. *H. J. Gibson*, c.b., were also examined.

[Adjourned till Thursday next, at Twelve o'clock.]

Thursday, 8th June 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

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|-------------------------|--------------------|
| Mr. Victor Cavendish. | Mr. Pym. |
| Sir W. Brampton Gurdon. | Mr. Cohen. |
| Mr. Yorburgh. | Mr. Goddard. |
| Mr. Buchanan. | Mr. Gibson Bowles. |
| Mr. Blake. | |

The Civil Service Appropriation Accounts, Classes I. and II., were considered.

The Hon. Sir *Schomberg McDonnell*, k.c.b., Sir *Henry Graham*, k.c.b., attending by leave of the House of Lords; Sir *Thomas Blomefield*, Bart., c.b., the Right Hon. *W. G. Ellison Macartney*, Mr. *W. Gibbons*, c.b., and Mr. *W. P. Byrne* were examined.

[Adjourned till Friday, 23rd June, at Two o'clock.]

Friday, 23rd June 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

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|-------------------------|----------------------|
| Mr. Victor Cavendish. | Mr. Cohen. |
| Sir W. Brampton Gurdon. | Mr. Lewis. |
| Mr. Gibson Bowles. | Mr. Pym. |
| Sir Frederick Banbury. | Mr. Goddard. |
| Mr. Yorburgh. | Sir Robert Mowbray. |
| Mr. Buchanan. | Mr. Cameron Corbett. |
| Mr. Blake. | |

The Committee deliberated.

The Civil Service Appropriation Accounts were further considered.

Mr. *W. Blain*, Mr. *E. Hough*, Mr. *W. T. Taylor*, i.s.o., Mr. *H. O. Monro*, c.b., Mr. *Philpot*, Mr. *Bailey*, m.v.o., Mr. *FitzGerald*, Mr. *R. MacLeod*, c.b., Mr. *J. Struthers*, c.b., Mr. *H. J. Gibson*, c.b., and Mr. *J. A. Kempe*, c.b., were examined.

The Land Registry (New Buildings) Acts and the Public Offices Sites Acts Accounts were considered.

Mr. *FitzGerald* was examined.

[Adjourned till Tuesday next, at Three o'clock.]

Tuesday, 27th June 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

Sir W. Brampton Gurdon.
Sir Frederick Banbury.
Mr. Victor Cavendish.
Sir Robert Mowbray.

Mr. Goddard.
Mr. Gibson Bowles.
Mr. Herbert Lewis.

The Civil Service Appropriation Accounts, Classes III, IV, V, were further considered.

Mr. *J. A. Kempe*, C.B., Mr. *H. J. Gibson*, C.B., Mr. *W. Blain*, Mr. *W. C. B. Ravn*, Mr. *W. H. Rowe*, Mr. *W. P. Byrne*, C.B., Sir *Evelyn Ruggles-Brise*, K.C.B., Mr. *John Bromley*, C.B., Sir *Edward Maunde Thompson*, K.C.B., Mr. *Hawes Turner*, Mr. *Lionel Cust*, M.V.O., Mr. *Claude Phillips*, and Mr. *W. Chauncy Cartwright*, C.M.G. were examined.

[Adjourned till Thursday next, at Three o'clock.]

Thursday, 29th June 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

Sir W. Brampton Gurdon.
Mr. Victor Cavendish.
Mr. Gibson Bowles.
Sir Frederick Banbury.

Mr. Cohen.
Mr. Goddard
Sir Robert Mowbray.

The Civil Service Appropriation Account was further considered.

Mr. *J. A. Kempe*, C.B., Mr. *H. J. Gibson*, C.B., Mr. *W. Blain*, Mr. *E. A. Crow*, Mr. *A. H. H. Engelbach*, I.S.O., Mr. *Hartmann W. Just*, C.B., C.M.G., Mr. *G. W. Johnson*, and Mr. *F. D. A. Willis* were examined.

The Woods, Forests, and Land Revenues Accounts were considered.

Mr. *E. Stafford Howard*, C.B., and Mr. *F. Hellard* were examined.

The Uganda Railway Acts Accounts were considered.

Mr. *Kempe* and Mr. *Blain* were examined.

[Adjourned till Wednesday next, at Three o'clock.]

Wednesday, 5th July 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

Sir Robert Mowbray.
Mr. Goddard.
Mr. Herbert Lewis.
Mr. Cohen.
Mr. Victor Cavendish

Sir W. Brampton Gurdon.
Mr. Gibson Bowles.
Mr. Yerburgh.
Mr. Buchanan.
Sir Frederick Banbury.

The Store Accounts of the Army were further considered.

Sir *Guy Fleetwood Wilson*, K.C.B., Major-General *R. Auld*, C.B., Sir *Alfred Major*, Sir *Frank Marziels*, C.B., Mr. *J. A. Kempe*, C.B., Mr. *H. J. Gibson*, C.B., and Mr. *Robert Chalmers*, C.B., were examined.

The Committee deliberated.

Motion made and question put: "That the Committee do not proceed to take evidence on the subject referred to in the postponed paragraphs and that the charges involved in these paragraphs be suspended from the accounts of 1903-1904."—(Mr. *Buchanan*).

The Committee divided.

Ayes, 4.

Sir Frederick Banbury.
Mr. Buchanan.
Sir William Brampton Gurdon.
Mr. Yerburgh.

Noes, 4.

Mr. Victor Cavendish.
Mr. Goddard.
Mr. Herbert Lewis.
Sir Robert Mowbray.

Whereupon the Chairman declared himself with the Noes.

[Adjourned till Friday next, at Two o'clock.]

Friday, 7th July 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

Sir Robert Mowbray.
Mr. Goddard.
Mr. Pym.
Mr. Herbert Lewis.
Mr. Cohen.
Sir Frederick Banbury.

Mr. Buchanan.
Mr. Gibson Bowles.
Sir William Brampton Gurdon.
Mr. Victor Cavendish.
Mr. Yerburgh.
Mr. Cameron Corbett.

The Store Accounts of the Army were further considered.

Lieut.-General the Honourable Sir *Nevill Lyttelton*, K.C.B., Mr. *J. A. Kempe*, C.B., Mr. *H. J. Gibson*, C.B., Mr. *Robert Chalmers*, C.B., Sir *Guy Fleetwood Wilson*, K.C.B., Major-General *R. Auld*, C.B. and Colonel *F. T. Clayton*, C.B., were examined.

[Adjourned till Wednesday next, at Three o'clock.

Wednesday, 12th July 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the chair.

Sir Robert Mowbray.
Mr. Guy Pym.
Mr. Cohen.
Sir Frederick Banbury.

Mr. Gibson Bowles.
Sir William Brampton Gurdon.
Mr. Victor Cavendish.
Mr. J. Herbert Lewis.

The Local Loans Fund Account was considered.

Mr. *W. Blain* was examined.

The Navy Appropriation Account was considered.

Mr. *Gordon Miller*, C.B., Sir *Henry Yorke*, K.C.B., Mr. *J. A. Kempe*, C.B., and Mr. *H. J. Gibson*, C.B., were examined.

The Committee deliberated.

DRAFT SECOND REPORT, proposed by the *Chairman*, brought up and read the first time, as follows:—

CIVIL SERVICE APPROPRIATION ACCOUNTS.

The total Grants for the Civil Service in the year 1903-4 amounted to 47,723,016*l.*, of which the total expenditure was 47,119,657 17*s.* 6*d.*, leaving a surplus of 603,358*l.* 2*s.* 6*d.* The Appropriations in Aid, after deducting those which were less than estimated, make with the surplus the sum to be surrendered to the Exchequer up to 743,181*l.* 13*s.* 9*d.*

CLASS I., VOTE 1.—ROYAL PALACES.

There was a considerable saving in the year under review upon Osborne House amounting to 2,739*l.* in wages only, because the alterations could not be completed in time to admit of the opening of the Convalescent Home for Naval and Military Officers before the close of the year. The Home has now been finally completed, and the patients admitted.

CLASS I., VOTE 6.—DIPLOMATIC AND CONSULAR BUILDINGS.

There is an excess expenditure upon this vote of 1,442*l.* 6*s.* 8*d.* for which a Vote of Parliament will be required. It is attributed to the mistake of charging the cost of site of the new Consulate at Cairo to this year's account, instead of to that of 1904-5, where provision for it was made. The covering authority of the Treasury was given for the purchase of the site, but the bargain ought not to have been concluded until presented to Parliament in the Estimates of the following year (Q. 2253-4). A local agent borrowed the money from a bank, and there was no choice but to repay it. Your Committee strongly disapprove of this proceeding, which removed the expenditure from the cognizance of Parliament, and caused an excess on the Vote, but as Treasury sanction was given to the purchase, your Committee recommend the excess Vote to Parliament.

CLASS I., VOTE 7.—REVENUE BUILDINGS.

Your Committee desire to call attention to the large sums taken for proposed works, viz., Post Office 120,000*l.*, and Telegraphs 65,470*l.*, making 185,470*l.*, without any separate details of estimated expenditure. This is a much larger expenditure than usual, and is justified by the necessity of making up arrears on the works, which the Postmaster-General alleged had been starved during the War (Q. 2272). Your Committee are aware that it would be impossible to present even approxi-

mately accurate estimates of the numerous small works undertaken by the Post Office, but inasmuch as Parliament is practically deprived of any control before the initiation of these works, your Committee are of opinion that the Treasury should exercise the most careful supervision, and only sanction the expenditure of such large sums as this in cases of the most proved and pressing necessity.

CLASS II., VOTE 23.—STATIONERY AND PRINTING.

The Treasury directed the attention of your Committee to the purchase by the Admiralty of a sun-printing frame for the use of the Gunnery Establishment at Whale Island for the sum of £47 10s., when one could have been supplied for £6. The instrument is said to be well worth the price, but the Admiralty, as they admit, purchased an unnecessary elaborate and expensive article (A. 2478), probably through insufficient knowledge on the part of the purchasing officer of what sun-printing apparatus were capable of. Inasmuch, however, as both the Admiralty and War Office at the instance of the Treasury, have agreed to surcharge officers in future in similar cases (A. 2488) your Committee do not deem it necessary to disallow this charge.

CLASS IV., VOTE 3.—NATIONAL GALLERY.

In consequence of the pressure exercised by your Committee, the Trustees of the National Gallery have ceased to allow Messrs. Cassell to sell their illustrated catalogue in the inner hall of the Gallery, and by the Gallery officials, in competition with their own catalogues. But inasmuch as no term has yet been fixed to the arrangement with Messrs. Cassell, the Secretary has undertaken to bring the matter before the Trustees, deeming it very advisable that such a term should be fixed (A. 2813).

CLASS IV., VOTE 10.—PUBLIC EDUCATION (IRELAND).

Under expenditure of 10,600*l.* having been shown this year under Sub-head E, 2, "Monitors and their travelling expenses," following upon under-expenditure in previous years, the Treasury should, in the opinion of your Committee, press the Irish Government to make some substantial reduction in the estimate of 40,000*l.* for this service.

CLASS V., VOTE 1.—DIPLOMATIC AND CONSULAR SERVICE.

The Comptroller and Auditor-General calls attention to certain accounts of an exceptional character administered by Diplomatic and Consular Officers. These include large sums advanced by H.M. Minister at Peking from public moneys in his hands, in anticipation of payments from the Chinese indemnity; fines levied on a district for the murder of two missionaries received by the Consul-General at Hankow; an indemnity paid in respect of illegal *likin* duties levied upon various traders and paid to the Consul-General at Yunnan-fu; and the balance of certain tonnage duties refunded by the Brazilian Government and held by the Consul at Pernambuco.

These amounts were not included in the accounts of public moneys rendered by the several officers as sub-accountants of the Foreign Office, nor in the cash accounts rendered for audit by the Comptroller and Auditor-General.

The representative of the Foreign Office appeared to consider that it was quite sufficient to have a balance certificate from the Consuls, to show that they have money, but that the sums need not be entered in the Foreign Office Accounts, inasmuch as they are sums paid to the Consuls for certain claimants, and not intended to come to the British Government at all.

Your Committee do not agree with this view, and they are of opinion that all such payments should be entered in the Foreign Office Accounts, and rendered to the Comptroller and Auditor-General for his review and audit. This alone can the total balance due from Consular Officers be ascertained, and your Committee trust that the Treasury will insist in all cases upon the maintenance of this sound financial practice.

CLASS V., VOTE 3.—TRANSVAAL AND ORANGE RIVER COLONY.

The Comptroller and Auditor-General arranged last year to send out an officer of his Department to apply a test audit to the accounts in South Africa of the grants of 3,000,000*l.* and 2,000,000*l.* made to the burghers. The first grant was voted "for free grants to the burghers of the Republics; to assist their restoration to their homes, and the supply of necessaries for the resumption of their normal occupations as provided in Article 10 of the Terms of Surrender."

The Repatriation Departments of the Transvaal and Orange River Colonies purchased stock, seed, implements, food and other necessaries urgently required to repair the ravages of war, and issued them from a number of local Repatriation Depôts. The value of advances in kind amounted to 3,528,871*l.* 19s. 2d. (Report of C. and A.G. on Vote 3, par 7), for which receipts were taken from the burghers.

The auditor examined the distribution, and the local inspection of the accounts proved that all expenditure had been duly authorised, and that the Colonial auditors had exercised a complete and satisfactory check over the records showing the receipts and payments of the Repatriation Departments.

The accounts of the distribution of the 2,000,000*l.* for grants to other persons in respect of war losses in the two Colonies was also examined and found (A. 2992) satisfactory. 300,000*l.* of this sum was set apart to meet the claims of natives in the two Colonies, a large portion of the remainder was distributed by the Judicial Commission among such subjects and foreigners as have been able to substantiate claims on account of war losses, and a surplus of 188,000*l.* remained available in the hands of the Judicial Commission on August 31st, 1904. The Comptroller and Auditor-General is satisfied that the expenditure out of this grant of 2,000,000*l.* has been in accordance with the terms of the Estimate (Report, par. 8).

CLASS V.—UGANDA RAILWAY ACTS, 1896–1902.

The total issues of 5,311,000*l.* have been made, and the railway account has been closed. Any further expenditure will fall upon the Protectorate.

CLASS VI., VOTE I.—MERCHANT SEAMENS FUND PENSIONS.

The Treasury informed the Public Accounts Committee that it would be desirable to transfer the Estimate for Merchant Seamens Fund Pensions to be a sub-head of the Estimate for Mercantile Marine Services (Class II., Vote 9), as the former Estimate is now reduced to a sum of 2,300*l.*, and will continue to decrease (A 3075). Your Committee see no objection to this transfer.

REVENUE DEPARTMENTS.

The Treasury forward to your Committee a letter from the Postmaster-General, urging the adoption of his proposal for the amalgamation of the three Post Office Votes, together with a Memorandum from the Comptroller and Auditor-General also urging the advantages of the amalgamation, and the Treasury request your Committee to take the subject into their consideration.

Your Committee find that there would be a considerable saving of Parliamentary time, inasmuch as three Estimates have now to be considered by Parliament, although the Services covered by the three Votes are essentially one; and also a saving of Departmental time, since hardly any payment can be made on Common Service account, without a consideration of how it will affect both the Post Office and Telegraph Votes. The salaries of 85 per cent. of the staff of 190,000 persons are voted in two portions, viz., in the Post Office and Telegraph Estimates. In all ranks, from highest to lowest, "the personnel" is common to both Services. The cost of conveyance of mails is included partly in the Post Office and partly in the Packet Vote. The cost of sites and rentals of premises are shared between the Post Office and Telegraph Votes, and the whole administration is under the Postmaster-General. The annexed copy of the Estimate in the proposed form shows that no item at present submitted to the House of Commons is withdrawn from observation, but that the juxtaposition of items, whether of Post Office, Packet, or Telegraph Service, enables them to be readily compared.

Your Committee, therefore, recommend the amalgamation of the three Votes.

Question, That the Draft Second Report be read a second time paragraph by paragraph,—put, and *agreed to*.

Paragraphs 1 and 2 *agreed to*.

Paragraphs 3–5, amended, and *agreed to*.

Amendment proposed,—That the following words be inserted in the Report as a new paragraph:—

PUBLIC BUILDINGS EXPENSES ACT, 1898.

Further loss has been incurred in consequence of the depreciation in the price of Consols, in which a sum of 2,360,000*l.* issued to the National Debt Commissioners for temporary investment was invested by the Commissioners.

Your Committee think it the more necessary to draw attention to this loss because the sum of 80,000*l.* provided in the Public Buildings Expenses Act of 1903, is stated in the Schedule to the Act to be the "difference between the sum granted under the Act of 1898 and the sum estimated to be available, due to depreciation in securities in which the money granted has been invested."

The Comptroller and Auditor-General points out that the sum which would have been available on the 31st March, 1903, for payment to the Commissioners of Works if no loss had occurred on the sale of Consols was 1,071,374*l.* 11*s.* 4*d.* The Comptroller and Auditor-General adds that the statement of accounts shows, however, that as representing this balance the National Debt Commissioners only held Consols to the amount of 784,794*l.* 0*s.* 11*d.* worth at present prices, in round figures, about 705,000*l.* The total realised loss would therefore appear to be already 365,000*l.*

It is true the dividend maturing on the 705,000*l.* Consols still remaining will go in reduction of further losses, but it was admitted that it is extremely unlikely the Estimate of 80,000*l.* for depreciation of securities will be even approximately realised, and your Committee recommend that in the schedules to future Acts of Parliament in estimating the loss due to depreciation of securities some regard should be had to the loss known to have been already incurred (Mr. Cohen).

Q.3.

Question put, That those words, as a new Paragraph, be inserted in the Report.
The Committee divided.

Ayes, 1.
Mr. Cohen.

Noes, 4.
Sir Frederick Banbury.
Mr. Victor Cavendish.
Sir W. Brampton Gurdon.
Mr. Pym.

Paragraph 6, amended, and *agreed to*.

Paragraph 7 *agreed to*.

Paragraphs 8 and 9, amended, and *agreed to*.

Paragraph 10 *agreed to*.

Paragraph 11, amended, and *agreed to*.

Paragraph 12. Amendment proposed at the beginning of the paragraph to insert the following words:—

FORM OF ESTIMATES—REVENUE DEPARTMENTS.

Attention has been drawn by the Comptroller and Auditor-General to the payment of 126,000*l.* for Post Office sites in the course of the financial year 1904–1905 by cheques bearing dates prior to the 31st March 1904, with a view to charging expenses actually falling within the year 1904–1905 to the votes of the preceding year on which there would otherwise have been a considerable surplus.

The Treasury on being asked whether they approved of this proceeding, replied (Q. 2060). “That holding as we do the same view as the Comptroller and Auditor-General as to the proper, method of accounting, we should say that the warrants in these cases should not have been issued until after the 31st March.” In this view your Committee entirely concur (*The Chairman*).

Question, That the proposed words be there inserted,—put, and *agreed to*.

Paragraph, as amended, *agreed to*.

Amendment proposed that the following words be added to the Report as a new paragraph:—

“TREASURY CHEST—CONSOLIDATED FUND.—CIVIL CONTINGENCIES FUND.—LOCAL LOANS FUND.

“These Accounts call for no observations.”—(*The Chairman*).

Question, That the proposed words, as a new Paragraph, be there added,—put, and *agreed to*.

Question, That this Report, as amended, be the Second Report of the Committee to the House,—put, and *agreed to*.

Ordered, To Report.

[Adjourned till Friday next at Two o'clock.

Friday, 14th July 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair.

Sir Robert Mowbray.
Mr. Goddard.
Mr. Guy Pym.
Sir Frederick Banbury.

Mr. Buchanan.
Mr. Yerburgh.
Mr. Gibson Bowles.

The Navy Appropriation Account was further considered:

Mr. J. A. Kempe, C.B., Mr. A. J. Gibson, C.B., Mr. R. Chalmers, C.B., Mr. Gordon Miller, and Colonel Raban, C.B., R.E., were examined.

[Adjourned till Tuesday next at Three o'clock.

Tuesday, 18th July 1905.

MEMBERS PRESENT :

Sir ARTHUR HAYTER in the Chair.

Mr. Yerburgh.
Mr. Goddard.
Sir W. Brampton Gurdon.
Mr. Victor Cavendish.
Mr. Cohen.

Mr Pym.
Sir Robert Mowbray.
Sir Frederick Banbury.
Mr Gibson Bowles.
Mr. J. Herbert Lewis.

The Store Accounts of the Navy were considered.

Sir *Henry Yorke*, K.C.B., Mr. *F. W. Black*, Rear-Admiral *Eardley-Wilmot*, and Colonel *Ralan*, C.B., R.E., was examined.

The Victualling Yard Manufacturing Accounts were considered.

Sir *Henry Yorke*, K.C.B., was examined.

The Greenwich Hospital Account was considered.

Mr. *Charles Stansfield* was examined.

The Naval Works Acts Account was considered.

Mr. *Gordon Miller* C.B., and Colonel *Raban* were examined.

The Dockyard Expense Accounts were examined.

Sir *James Williamson*, C.B., and Mr. *Roff* were examined.

[Adjourned till to-morrow at Three o'clock.]

Wednesday 19th July 1905.

MEMBERS PRESENT :

Sir ARTHUR HAYTER in the Chair.

Sir Robert Mowbray.
Mr. Goddard.
Mr. Pym.
Mr. Cohen.

Sir W. Brampton Gurdon.
Mr. Victor Cavendish.
Sir Frederick Banbury.

The Store Accounts of the Army were further considered.

Mr. *A. W. Maconochie*, a Member of the House, was examined.

Sir *Alfred Major* was recalled and further examined.

[Adjourned till to-morrow at Three o'clock.]

Thursday, 20th July.

MEMBERS PRESENT :

Sir ARTHUR HAYTER in the Chair.

Sir Robert Mowbray.
Mr. Goddard.
Mr. Cohen.
Sir Thomas Esmonde.
Mr. Cavendish.

Sir W. Brampton Gurdon.
Mr. Gibson Bowles.
Mr. Yerburgh.
Sir Frederick Banbury.
Mr. Buchanan.

DRAFT THIRD REPORT proposed by the Chairman brought up and read the first time.

Question, That the Draft Report be read a second time paragraph by paragraph, *put and agreed to.*

Paragraph 1 *agreed to.*

Paragraph 2 amended and *agreed to.*

Paragraphs 3 and 4 *agreed to.*

03.

Paragraphs 5-8, amended and *agreed to*.

Amendment proposed after Paragraph 8, to insert the following words as a new paragraph.

The Director of Contracts seems, however, himself to have taken a lax view of contracting, and of the official form of tender embodying the guarantee, this being used, he says, "only as a means of confirming the arrangement the order was given verbally." It is therefore not inconceivable that he may have conveyed to Messrs. Maconochie the impression they allege they received, that the tender was "only intended for office reference."

Amendment proposed, in lines 3 and 4, of the paragraph to leave out the words "It is therefore not inconceivable that he may have conveyed to Messrs. Maconochie the impression they alleged they received that the tender was only intended for office reference."—(Sir Frederick Banbury.)

Question, That the words proposed to be left out, stand part of the proposed new paragraph—put, and *agreed to*.

Question put, That the proposed new paragraph be inserted in the Report.

Ayes, 5.

Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Sir Robert Mowbray.

Noes, 4.

Sir Frederick Banbury.
Mr. Goddard.
Sir W. Brampton Gurdon.
Mr. Yerburgh.

Paragraph 9.

Amendment proposed to leave out all the words of the paragraph in order to insert the following words:—

Mr. Brodrick, then Secretary of State for War, proposed on the 14th April, 1903 (Paper 16), that Messrs. Maconochie should supply 24,000 additional tins and pay £500. To this the Treasury (that is, the First Lord of the Treasury, the Chancellor of the Exchequer, and the Secretary) replied that they found in Mr. Brodrick's arguments no justification for the proposed concession. Messrs. Maconochie having subsequently offered to pay an increased sum of £2,500 in full settlement, the Army Council, on the 29th November 1904, recommended the acceptance of that offer. The Treasury on the 29th December declined to sanction "a settlement on this basis," and recommended that "litigation should at once be commenced to enforce the full legal rights of His Majesty's Government." In spite of the Law Officers having reported that the result of the proceedings "would be doubtful," the Treasury, on the 30th January 1905, still thought that "legal proceedings should be instituted." But on a further opinion of the Law Officers they concurred in the arrangement proposed by the Army Council. They expressed however "their disapproval" of "the informal waiver of any part of the terms of a formal contract"; and "their regret that Messrs. Maconochie were informed that their offer of £2,500 was accepted by the Army Council subject to Treasury concurrence" on the ground that "if it had been necessary to proceed to litigation the case would obviously have been prejudiced by a statement which was tantamount to an admission that the compromise offered was in the opinion of the Department primarily concerned a reasonable one."

In this disapproval and regret your Committee must fully concur.

That defective rations were supplied by Messrs. Maconochie there can be no doubt; and the loss to the public is, in your Committee's opinion, inadequately met by the compromise finally arrived at.—(Mr. Gibson Bowles.)

Question, That the words proposed to be left out stand part of the Report,—put, and *agreed to*.

Paragraph 10, amended, and *agreed to*.

Amendment proposed to insert the following words in the Report as a new paragraph:—

Your Committee feel it right to draw the attention of the House to Clause 9 of the Contract signed by Messrs. Maconochie, viz.: "No Member of the House of Commons shall be admitted to any part or share of this Contract or to any benefit to arise therefrom."—(Mr. Gibson Bowles.)

Question, That the proposed words be there inserted,—put, and *agreed to*.

Paragraphs 12-16 *agreed to*.

Paragraph 17 *agreed to*.

Paragraph 18, amended, and *agreed to*.

Paragraph 19. Amendment proposed to leave out from the words "A circular," in line 27 of the paragraph, to the word "Colonies," in line 48 (both inclusive), and to insert the following words: "It appears, however, that a very short time after Lord Kitchener's departure from South Africa in June 1902, Colonel Armstrong, who had succeeded Sir Guy Fleetwood Wilson as Financial Adviser, ceased to fill that office; that no successor to him was appointed, and that at the time the dual contracts were made there was in fact no Financial Adviser to the General whatever" Q. 3648, 3651, 3654, 3656, 3660, and 3662), instead thereof.—(Mr. Gibson Bowles.)

Question, That the words proposed to be left out stand part of the paragraph,—put, and *negatived*.

Question, That those words be there inserted,—put, and *agreed to*.

Paragraph, as amended, *agreed to*.

Paragraph 20, amended, and *agreed to*.

Paragraph 21. Amendment proposed at the beginning of the paragraph to insert the following words:—

“In regard to these matters, your Committee recommend: (1) That the sum of 1,671*l* 19*s*. 6*d.*, refunded to Mr. E. Stepney in July 1903, be disallowed as a charge against the Army Votes for 1903–4.”—(Mr. *Gibson Bowles*.)

Question put, That the proposed words be there inserted.

The Committee divided.

Ayes, 2.

Mr. Gibson Bowles.
Sir W. Brampton Gurdon.

Noes, 4.

Sir Frederick Banbury
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.

Paragraph 21, *agreed to*.

Paragraph 22, amended, and *agreed to*.

Question, That this Draft Report, as amended, be the Third Report of the Committee to the House,—put, and *agreed to*.

Ordered, To Report, together with the Minutes of Evidence so far as they relate to Army Accounts, and an Appendix.

[Adjourned till to-morrow at Two o'clock.

Friday, 21st July 1905.

MEMBERS PRESENT:

Sir ARTHUR HAYTER in the Chair

Sir Robert Mowbray.
Mr. Goddard.
Mr. Cohen.
Mr. Gibson Bowles.

Sir W. Brampton Gurdon.
Mr. Victor Cavendish.
Mr. Guy Pym.
Sir Frederick Banbury.

DRAFT FOURTH REPORT, proposed by the *Chairman*, brought up and read the first time, as follows:—

NAVY APPROPRIATION ACCOUNT.

1. THE expenditure provided for Navy Services by Estimates and Supplementary Estimate, in the year 1903-4 was 37,144,841*l.* The actual expenditure was 37,242,791*l.* 15*s.* 5*d.* There was therefore, an excess over the Grants of 97,950*l.* 15*s.* 5*d.*, for which a Vote of Parliament will be required. The Appropriations in Aid show an excess of receipts amounting to 115,974*l.* 0*s.* 6*d.*, and if the excess expenditure of 97,950*l.* 15*s.* 5*d.* be met out of this, there would remain a net surplus to be surrendered to the Exchequer of 18,023*l.* 5*s.* 1*d.*

Your Committee recommend this course be adopted by means of a token Vote being brought before Parliament.

VOTE 2. VICTUALLING.

2. A new system of Rations was introduced into the Navy on the 1st of October 1903 (Q. 3719). Certain new articles were added, such as jam, coffee, compressed vegetables, preserved meat, and condensed milk, and additions were made to existing rations of tea, sugar, and fresh vegetables, and slight reductions made in chocolate, salt pork, and salt beef (Q. 3747-48). But the men retain the right of taking savings instead of all the new articles, and they exercise the privilege to so large an extent that the revised system of victualling is found to mean not better diet, but increased saving to the men.

Under these circumstances the matter is being reconsidered by the Admiralty.

VOTE 8. SHIPBUILDING III. CONTRACT WORK.

3. Allusion was made in your Committee's First Report of last year on the policy of an increased use having been made of private shipbuilding yards for effecting repairs, owing to the congestion of Government Dockyard^s. This policy is found to be more costly, and has occasioned various excesses on this Vote. It is now intended to discontinue it (Q. 3838), and to do all repairs in the Dockyards.

On the subject of percentages for Establishment and incidental expenses in the different Yards the Examining Officer at the Admiralty has arrived at a satisfactory arrangement, so that a uniform scale of charges has been adopted, and the amount of work which can be undertaken at each is known to the Admiralty.

LIMIT OF COST OF NEW WORKS, ESTIMATED UNDER PART I., RAISED FROM 1,000*l.* TO 2,000*l.*

4. In consequence of a recommendation of Sir Clinton Dawkins' Committee that the limit should be extended from 1,000*l.* to 2,000*l.* within which the War Office might undertake a work on its own responsibility without specifying it separately in the Estimates, a similar change has been made in Naval Estimates as regards Works and Grants-in-Aid of Works, and the same latitude has been granted to the Admiralty as to the War Office. Your Committee see no objection to this.

AERIAL CABLEWAY—CAPE OF GOOD HOPE.

5. The total estimate for this work has been progressively increased from 4,000*l.* to 7,950*l.*, or has been approximately doubled. The Treasury at first refused to give their covering sanction, quoting the opinion of your Committee, expressed in the Third Report of 1901: "That it is of great importance that estimates of cost submitted for Parliamentary sanction should be such as the House of Commons can accept as final." Colonel Raban explained that the business of making this aerial cableway to convey men and materials up to the Naval Sanatorium at the top of the hill behind Simonstown was quite new to the department, and they took the advice of a firm who had constructed one at the Cape (Q. 3981). They took expert opinion and invited tenders. After, however, the machinery was supplied, they found the consequential works were much more extensive than they anticipated, and

so the estimate grew. The Admiralty representative expressed his regret at the unfortunate estimate of the cost of a work with which his department was unfamiliar, and, through inexperience, unable to form an accurate estimate. The Treasury have since given their covering sanction, and your Committee do not dispute it.

PAYMENT TO CONTRACTORS BEFORE CONTRACTS ARE SIGNED.

6. The Comptroller and Auditor-General calls attention in Paragraph 30 to the fact that certain payments were made to contractors in anticipation of the signing of contracts, and that these payments during the years 1902-3 and 1903-4 amounted to about 89,000*l.* and 494,000*l.* respectively. The Solicitor of the Treasury has expressed an opinion to the effect that a guarantee on the part of the contractors to sign a contract when called upon did not protect the Admiralty (Letter B.C., page 196). The reasons for doing this were the difficulties in settling the form of contracts, and arriving at a specification which was agreeable to both parties, and to the Law Officers (Q. 4149). The form of contract has now been settled, and your Committee are glad to learn that this very irregular practice will be discontinued in the future.

STORE ACCOUNTS OF THE NAVY.

7. The value of the Stocks of Naval Stores and Dockyard-made Machinery on the 31st of March 1904, was 4,196,817*l.*, as compared with 3,977,919*l.* brought forward on 1st of April 1903, showing an increase of 218,898*l.* in the year.

The stock of Steam Vessel Coal showed an increase of 159,041*l.*, the value of the stock increasing from 578,137*l.* to 737,178*l.*

VICTUALLING YARD STORES.

8. For the first time the system of age limits has been applied to Provisions, introduced upon the recommendations of the Committee on Navy Rations, and the condemnations amounted to 4,300*l.*

ATTEMPTED SALVAGE OF NATAL GOVERNMENT FLOATING DOCK.

9. In this case coal, wire hawser, and other stores were expended by H.M. Ship "Monarch" in the unsuccessful endeavour to save this floating dock, which was stranded in Mossei Bay, on the South Coast of Africa. No claim has been made upon the Salvage Association of London, who urgently asked for the assistance of the "Monarch" on behalf of the underwriters, because in Counsel's opinion no claim can be sustained even against a salvage association unless the attempt to save is successful. If, however, it had been successful, a claim for the loss of stores would have been made.

GREENWICH HOSPITAL. VICTUALLING YARD MANUFACTURING ACCOUNTS.

10. No observations are required on these Accounts.

NAVAL WORKS ACTS.

11. A question has arisen upon the Admiralty entering upon a contract by which the sum of 50,000*l.* voted for Chatham Dockyard Extension would be exceeded to the amount of 20,000*l.* It was entered into by the Director of Works (Q. 4357), without referring to the Accountant-General, and approved by the Admiralty, without the sanction of the Treasury. The Admiralty had told Parliament that a total sum of four and a half millions would be required for this work, and placed plans in the House of Commons. Under these circumstances they did not deem it necessary to go to the Treasury before extending their liability.

Your Committee are of opinion that the Admiralty were mistaken, and had no power to exceed the 50,000*l.* mentioned as a token sum, and both the Treasury and Comptroller and Auditor-General concur in this view.

DOCKYARD EXPENSE ACCOUNTS.

12. Your Committee desire to point out that no less than 160,000*l.* was spent on the refits of vessels now about to be sold as of being no further use to the Navy. It was also stated (Q. 4535) that the refits had not added much to the value of the ships, because they are not sold for commercial purposes, and fetch little more than the price of old iron (Q. 4536).

Your Committee cannot too strongly condemn so extravagant a policy. It appeared that the refits of the various vessels referred to in Par. 19 of the Comptroller and Auditor-General were not placed in the Estimates at all, and no provision made for them.

Your Committee desires to emphasise the opinions expressed by them in previous Reports, that if there is any departure of an extensive character from the Naval programme it should be at once reported by the Admiralty to the House of Commons.

Question, that the Draft Report proposed by the *Chairman* be read a second time paragraph by paragraph,—put, and *agreed to*.

Paragraph 1, *agreed to*.

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Paragraph 2, amended, and *agreed to*.

Paragraph 3, amendments made:

Another amendment proposed in line 5 of the paragraph, to leave out all the words from the word "Dockyard" to the end of the paragraph (Mr. Bowles).

Question, That the words proposed to be left out stand part of the paragraph,—put, and *negatived*:

Paragraph as amended, *agreed to*.

Paragraph 4-6, amended, and *agreed to*.

Paragraph 7, *agreed to*.

Remaining paragraphs, amended, and *agreed to*.

Question, That this Report as amended be the Fourth Report of the Committee to the House—put, and *agreed to*.

Ordered to Report, together with Minutes of Evidence and an Appendix.

EXPENSES OF WITNESSES.

| NAME OF WITNESS. | Profession or Condition. | From whence Summoned. | Number of Days absent from Home under Orders of Committee. | Allowance during absence from Home. | Expenses of Journey to London and back. | Total Expenses allowed to Witness. |
|------------------------|--|--------------------------|--|---|---|--|
| | | | | £. s. d. | £. s. d. | £. s. d. |
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MINUTES OF EVIDENCE

Friday, 24th March 1905.

MEMBERS PRESENT :

Sir Frederick Banbury
Mr. Blake.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Sir Thomas Esmonde.

Mr. Goddard.
Sir Brampton Gurdon.
Sir Arthur Hayter.
Sir Robert Mowbray.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. J. A. KEMPE, C.B., and Mr. ROBERT CHALMERS, C.B., called in; and Examined.

Chairman.

(To Mr. Kempe.) The Committee are very glad to see that you have succeeded to the office of Comptroller and Auditor-General. The Committee have just passed a unanimous vote of thanks to your predecessor, Mr. Richmond.

(Mr. Kempe.) I am much obliged to the Committee for their kind greeting. I hope to do my best to deserve their approbation and to give what service I can to them. I shall, of course, convey to Mr. Richmond their kind resolution.

1. (To Mr. Chalmers.) I believe you have some Papers to put in on behalf of the Treasury with their remarks on last year's Reports?—That is so. I have two Treasury Minutes, together with the comparison of Audited Expenditure with Exchequer Receipts and General Abstract of Appropriation Accounts for the year

1902-3. If you will allow me, I will hand those in (*handing in the same*).

Sir Robert Mowbray.

2. I observe in paragraph 60 of the Report of the Comptroller and Auditor-General on the Army Appropriation Accounts, in regard to the question of Imperial Military Railways, he refers to a Treasury Minute of the November 30th, 1904; is that Treasury Minute included in the papers you have handed in?—Yes, that is one of the two Minutes I have handed in, which will be printed in due course, and circulated to the members of the Committee.

3. It has not been printed yet?—It has been printed by the Treasury, but it has not yet been printed as an Appendix Paper for this Committee.

ARMY APPROPRIATION ACCOUNTS, 1903-1904. Votes 6 and 7.

Sir GUY D. A. FLEETWOOD WILSON, called in; and Examined.

Chairman.

4. You are now I believe officially termed Director of Army Finance?—That is so.

5. As such, you are the accounting officer for this Appropriation Account?—That is so.

6. You are aware, probably, from the ordinary sources of information, that great interest is felt

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Chairman—continued.

in the House in regard to what we may term, for the sake of shortness, the South African Army Scandals—although by using that word I do not for a moment suggest that they will prove to be scandals. The House of Commons is very anxious to have a debate upon that subject.

A

24 March 1905.] Mr. KEMPE, C.B., Mr. CHALMERS, C.B., and Sir G. D. A. F. WILSON. [Continued

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Votes 6 and 7—continued

Chairman—continued.

ject, and the Prime Minister has promised a day, but it is felt that that would be almost futile unless there has been some previous examination of these cases. That being so, would you be kind enough to explain to the Committee what course the War Office has taken, and what is the reference to the Committee which is mentioned in paragraph 82 of the Comptroller and Auditor-General's Report. We should like to know the terms of the Reference to that Committee if you could give them, and how far they have proceeded in their inquiry, and when you anticipate a final report from them?—If it is agreeable to you and to the Committee, in view of the somewhat grave character of some of the evidence which has already come before me as Accounting Officer, and which I understand has been placed before Sir William Butler's Committee, I propose to ask you to be so kind as to give me a few minutes so that I may point out to you what steps the War Office has taken, and what steps I, as Accounting Officer, have taken to get to the bottom of some of these cases, which present rather unsatisfactory features, and also to lead up to the point when an inquiry with regard to several of them was instituted by the Secretary of State for War and the Army Council, and handed over to a committee appointed *ad hoc*, which is presided over by Sir William Butler. If it is agreeable to the Committee, I would like to make a short statement leading up to the point when Sir William Butler took over the investigation of certain cases. It is, of course, a somewhat unusual proceeding, and for that reason I think the Committee would wish to be placed in possession of full details as to what has taken place.

7. I think the Committee would desire to hear such a statement from you as you propose?—In consequence of the rapid demobilisation that followed the declaration of peace in May 1902, there were huge stocks in South Africa to be disposed of. I propose going somewhat into detail, because I think it will help the Committee if they have to deal later on with Sir William Butler and the report of his Committee. On 3rd June 1902, the Commander-in-Chief in South Africa telegraphed to the War Office: "Discontinue as far as possible all shipments of supplies," and he recommended that local contracts for the future should be adopted as "more likely to be satisfactory for peace conditions." The War Department thereupon cancelled, as far as it was able, orders already placed, paying compensation to contractors, and told Lord Kitchener by cable, on June 5th, that: "We contemplate selling greater portion of oats due from England probably at a loss if there is no prospect of their being required in South Africa." Oats, of course, was only one of the supplies, but that was the telegram which started us. In the opinion of Lord Kitchener there was a good market in South Africa for surplus forage, and he telegraphed on June 10th: "Contemplate being able to sell locally most of reserve of forage at good prices. Do not advise sending

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Votes 6 and 7—continued.

Chairman—continued.

out any English purchase, as will only increase demurrage and add more to cost than can be realised by local sales." It was held that it would be more profitable to get rid of practically all the surplus stocks, and to repurchase for current requirements (that is a very important point, because that is what leads to these sales) as the keeping of any considerable portion would involve: (a) Rent for storage, (b) up-keep of large body of personnel, (c) loss by deterioration, and (d) cost of redistribution and losses on the railway. The difference between the selling and buying prices was regarded by the General Officer Commanding as justified by the above considerations, and there appeared to be no ground for questioning this conclusion in view of the statements then received from South Africa. Lord Kitchener instituted a special department called the Sales Department, which was a new thing altogether, whose duty it was to supervise the sale of all surplus animals, etc. As, however, the response to advertisements was practically nil, the Sales Department was closed in October, 1902, and the sale of supplies was taken up by the Supply Department of the Army, which usually operated, as the Committee are aware, by private treaty. Various queries were raised by the War Department in the larger cases in which the difference between selling and buying prices appeared to be large; but the transactions were defended by the local authorities in South Africa upon the grounds I have already mentioned, and as local sales were the result of a policy fully discussed and deliberately adopted, the replies were accepted and the Comptroller and Auditor-General informed accordingly when he queried any of the transactions. Later transactions, however, came to light, and they showed that the assumptions upon which the sales had been approved had not been carried out; for instance, in some cases refunds to contractors were made on the ground that supplies purchased were unsound; sometimes they were made months after delivery had been taken and payment made; in other cases it appeared that the goods sold had been retained in Government stores and distributed thence by the contractors. The promised saving, by which the sales had been justified, not having been realised, it therefore became necessary to review the whole of the transactions. They had been previously examined, but in the light of subsequent information we felt it our duty to review those transactions. In addition to this, the refunds themselves seemed open to grave question, as it did not appear that the public was liable either under the terms of the contracts or in equity to make them; and the doubts which arose as to their *bonâ fides* raised doubts as to the accuracy of explanations which had previously been accepted. The refunds to which I particularly allude are: In paragraph 84 of the Report (a) to Stepney 1,200*l.*; in paragraph 85 (b) to Meyer 21,232*l.* on a forage sale of 127,000*l.*; in paragraph 87 (c) to Wilson and Worthington 739*l.* on a sale of biscuits of 5,400*l.*; and then on a case, which is not in the Report, which we found out (d) to Wilson 1,542*l.* on a sale of meat of 10,000*l.*

Then

24 March 1905.] MR. KEMPE, C.B., MR. CHALMERS, C.B., and SIR G. D. A. F. WILSON. [Continued.]

ARMY APPROPRIATION ACCOUNT 1903-1904

Votes 6 and 7—*continued.*

Chairman—continued.

Then in paragraph 92 (e) is a case of arrear payment for all which also appeared to present very objectionable features; the payment being defended, as far as the evidence before me showed, mainly upon the grounds that a surplus was found to exist. If once this was admitted as sufficient evidence for payment, any dishonest person having a surplus of supplies would be able to make arrangements with a dishonest contractor to obtain public money on this ground. After a careful investigation by my Department, I came to the conclusion that:—(1) The explanations were not such as I could, as an accounting officer, accept. (2) The matter raised questions as to the honesty or competence of the executive administration of the Supply Department, which it was not within my province to decide upon. (3) In the absence of further explanation the question of responsibility had to be carefully considered. (4) It therefore required, I venture to submit, investigation by a tribunal able not only to examine documents but to take evidence and to cross-examine witnesses. There was another motive which influenced me in the step I took, which I will allude to. I felt that I had unavoidably come to the position of stating a "case for the prosecution" (I use the word in the ordinary legal sense), and I hope that the Committee will bear this in mind, and remember that my views should be taken as representing the elements of suspicion which I was constrained to think required investigation, and certainly as subject to correction by the results of such investigation. For the above reasons I felt it my duty to suggest the formation of a strong independent committee to investigate the matter. The investigation, it appeared to me, was one which could not be limited to the mere examination of documents, which, as the Committee will realise, is the only examination which a permanent officer, an Accounting Officer, is able to give in a case of this sort. My suggestion was accepted, and adopted by the Secretary of State for War and the Army Council, and a very strong Committee, if I may venture to say so, was appointed to investigate the matter. It was presided over by Sir William Butler, who will come, I understand, before the Committee, and it includes an official whom I was asked to furnish who is specially competent to deal with the financial aspect of the case. This committee was instructed to inquire into the sales to contractors, and the special cases which I have already mentioned, and to endeavour to fix the responsibility for them. I cannot forecast their conclusions, but I can, perhaps, assist the Committee by giving some details of the cases up to the point at which Sir William Butler's Committee took up the investigation, and by stating in each case my reasons for thinking investigation necessary in the particular cases. I am most anxious that the Committee should appreciate the fact that the War Office Finance Department did its very utmost up to the point to which it could go. I think the

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Votes 6 and 7—*continued.*

Chairman—continued.

Comptroller and Auditor-General will bear me out when I say that, of course, all documents are entirely at his disposal, but even beyond that, our officers have placed themselves at the disposal of his officers and we have been much helped by many of his queries. We were influenced by the sole desire, not only to afford him every assistance, which it is obviously my duty to see is done, but to get at the bottom of these matters. I will now, if you will allow me, take the cases in detail. In paragraph 83 of the Report, the firms which were alluded to in the House of Commons as A B and C are: A, Stepney; B, Meyer, and C, Wilson and Worthington.

Mr. Buchanan.

8. Do I understand from what you have just stated that certain specific cases were referred to this Committee?—Quite so. That is what I am leading up to. I am not going to give you the detail of those cases beyond the point where they were handed over to Sir William Butler's Committee.

Chairman.

9. I did not quite catch what you said a minute or two ago. Is the reference to Sir William Butler's Committee to investigate certain specific cases?—To investigate six specific cases, and no more.

10. Is it to investigate the cases referred to as A, B, and C, or more cases than that?—More cases than that; it is to investigate six cases, with this reservation: that if, during the course of that investigation, he finds it necessary to bring up another case, I have no doubt he is at liberty to do so. But Sir William Butler's functions, and what the exact reference to his Committee is, will be better obtained by the Committee from Sir William Butler himself. Now, taking the three cases referred to in paragraph 83, the sum involved in the first case, that of Stepney, was 20,825*l.*, and the stores were forage. In the case of Meyer, the amount involved was 277,849*l.*, in relation to forage and groceries; and in the case of Wilson and Worthington the amount was 175,903*l.*, and it was in relation to biscuits. Those sales were arranged by private treaty. I will now take those cases, up to the point where they were handed over to Sir William Butler's Committee, as briefly as possible. Paragraph 84 of the Comptroller and Auditor-General's Report deals with sales to and purchases at enhanced rates from Stepney. The matter was referred to South Africa by us, and the defence was on the lines I have indicated, viz.: (a) saving on rent, (b) saving upkeep of personnel, and so forth. It was also urged by the local authorities that this particular transaction is not nearly so good a bargain for the contractor as it looks on the face of it, as the contractor would have to sift the good from the bad, and incur other expenses. Generally speaking, the supplies purchased were of undoubted good quality, while those sold would necessarily contain a proportion of deteriorated articles.

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Votes 6 and 7.—*continued.*

Chairman—continued.

articles. Now I come to the question of the refund to Stepney, referred to in paragraph 84. This query has been the subject of much correspondence between the War Office, South Africa, and officers now at home. Briefly the case is this: A contract was made with Mr. Stepney for the supply of forage at Krugersdorp, to commence from February 1st, 1903. As the contract was made at short notice, it was decided, in order to facilitate the early stages, to issue Government supplies to the contractor for the first few days—an arrangement which strikes me as being a very doubtful one. Mr. Stepney received forage for which he would obtain on sale to us 3,309*l.* He was charged at first 3,711*l.* Subsequently he was given a refund of 1,672*l.*, to bring the price down to that which it was considered the forage would have realised at surplus stock rates, viz., 2,039*l.* I consider he should properly have paid 3,309*l.*, his contract price, and that he has been overpaid 1,270*l.* No defence whatever has been made for this transaction, and I cannot suggest any. It has been suggested that recovery should be attempted from Mr. Stepney, but personally I doubt whether that is likely to produce satisfactory results, inasmuch as Mr. Stepney is now reported to be insolvent. That is the case up to the point to which I could take it; I could take it no further. It appeared to me very evident that was a very unsatisfactory position to leave the case in, and I felt certain it was not a position in which the Public Accounts Committee would be satisfied to leave it. The case was accordingly handed over to Sir William Butler's Committee to investigate further. I obviously could not take evidence from individuals and cross-examine, and so forth, as Sir William Butler's Committee can do. Then the second case is that of Meyer, which relates to forage sales, and is referred to in paragraph 85 of the Report. Meyer obtained a contract to sell forage, etc., throughout South Africa for nine months from January 1st, 1903. He also obtained a contract to buy surplus forage on December 4th, 1902. His contract to sell to us was apparently the lowest tender, but no schedule of tenders is up to now forthcoming. Meyer's tender to buy contained the following stipulations: "Such goods as may be in sound and good condition." "All goods to be subject to our" (that is, Meyer's) "inspection before sale and delivery, after which we" (that is, Meyer) "accept all responsibility." Delivery was taken by Meyer during January to March, 1903. The refund was made on April 30th following. I can see no reason why the refund should have been made, and I think inquiry is required why Meyer was accepted as a contractor. The name is probably not unfamiliar to the Committee. He was, I understand, not a "forage man," but an ex-official of the Cold Meat Storage Company whose transactions with us had not been altogether satisfactory. That case again was carried to that point by me and by my officers. Beyond that point I could not carry it, and it has been referred to Sir William Butler's Committee.

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Votes 6 and 7.—*continued.*

Chairman—continued.

Then the next case is the rebate on unsound biscuit to Wilson and Worthington, which is dealt with in paragraph 87. They got a rebate of 789*l.* on a purchase of 5,400*l.* The tender to buy was for sound biscuit, but it was accepted on condition that it should cover the whole of the biscuit. Delivery was taken by Wilson and Worthington towards the end of March, 1903. The refund was made in the June following. I am not clear whether the refund was legally due, but I do not think it was equitably due. That case also was referred to Sir William Butler's Committee. We now come to the refund of 1,542*l.* to Wilson and Son for deteriorated meat.

11. Have you taken paragraph 86?—I will give you the paragraphs that have been taken by these cases in one moment if you will allow me. This case, which was not taken up by the Comptroller and Auditor-General, forms one of the six cases referred to the Butler Committee. The meat sales to Wilson and Son amounted to over 10,000*l.*, the bulk of the deliveries being in June and July, 1903. In August, 1903, the contractors claimed a refund on the ground that some of the meat was bad. The Officer Commanding, Army Service Corps, Cape Town, declined to entertain the question of refund on the ground that "the firm had every opportunity to inspect the meats before taking delivery of the same into their stores at Maitland, and that they were given permission to open what they liked, the Officer Commanding supplies giving them every facility." The refund was, however, made in the March following. The contract is not forthcoming, and up to the present I have seen no justification for the transaction. That is another case which I could take no further, and which Sir William Butler has undertaken to investigate. There is one more case which is what I might call belated claims for beer and forage which is referred to in paragraph 22. Stout was supplied in June, 1901, and paid for in July, 1903, to the amount of 200*l.*; it was supplied in December, 1901, and paid for in July, 1903, to the amount of 120*l.* Ale was supplied in March, 1901, and paid for in November, 1903, to the amount of 40*l.*; and again stout was supplied in December, 1901, the same date as before, and paid for in January, 1904, to the amount of 200*l.* It is suggested, and I think there is something in the suggestion, that the first and last transactions I have mentioned are the same. It is exactly the same amount of stout and exactly the same amount of money. The point was referred on December 23rd, 1904, to the General Officer Commanding for explanation. A reply from the General Officer Commanding has been received this week. It is not clear, and it is not to the point; and no opinion upon the possibility of double payments having been made can be offered until it has been investigated by Sir William Butler's Committee. Then in regard to the case of forage, the delay in the payment of 43*l.* on the September issue was due to loss of original drafts and re-issue of some of them.

12. Can

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Votes 6 and 7—*continued.*

Sir Robert Mowbray.

12. Can you give us the name of the contractors in the last case?—It is the Natal Brewery Company. I have endeavoured to explain to the Committee my difficulties in taking these cases beyond a certain point and the reason for the appointment of Sir William Butler's Committee. Unless the Committee wish to put any questions to me, I think probably they would now prefer that I should give way to Sir William Butler, who will be able to tell them what lines his Committee have gone on; he will be able to give the reference upon which he is working, and also to say when he will be in a position to give further evidence in these cases. I hope I have not detained the Committee at too great length. I thought it would be easier for them to follow the cases if I made a short statement in regard to them first.

Mr. Buchanan.

13. You have referred to six cases; we have only three cases referred to in the Report by the letters A, B, and C?—Yes; perhaps as regards the six cases you would prefer to take them from Sir William Butler. He will be able to give you the terms of the reference to his Committee.

14. I have not got the names of the other three cases?—Sir William Butler will be able to give you the names. Those six cases are referred to his Committee with a general reference to investigate any cases which arise immediately out of them. Perhaps I might mention that so far as I am able to ascertain, the paragraphs taken up by Sir William Butler's Committee in their investigations, as given in the Comptroller and Auditor-General's Report, are paragraph 82, paragraph 83, paragraph 84, paragraph 85, paragraph 87, and paragraph 92. Those are the paragraphs which are covered by Sir William Butler's investigation.

Mr. Victor Cavendish.

15. Do I understand you make yourself responsible for Sir William Butler's Report?—No, I cannot do that, because Sir William Butler's Committee is appointed by the Secretary of State for War and the Army Council, and it is not possible for me to give any pledge to this Committee as to what action the Secretary of State and the Army Council will take in regard to the report of that Committee. The only thing I am able to say is that I know it is the desire of the Secretary of State and the Council to throw the greatest possible light on this matter, and so I may perhaps express a personal opinion that I should think there is no doubt whatever that you will have that report as soon as it is available. But I am not in a position to say more than that. I might mention there are two cases which the Public Accounts Committee probably will take special interest in; one is known as the jam case, and the other is known as the Maconochie case. Neither of those cases has been referred to Sir William Butler's Committee, and although, as I understand, you do not anticipate going into the whole of the Appropriation Accounts at once, but are going to give

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Votes 6 and 7—*continued.*

Mr. Victor Cavendish—*continued.*

me a little more time, as I have been so pressed, I have considered it my duty to be ready to come before this Committee at any time to deal with the paragraphs from paragraph 80 onwards; and I am prepared to take up the jam case and the Maconochie case if it were acceptable to take those cases.

Mr. Blake.

16. You have referred to a certain number of cases, of which six have gone ultimately to Sir William Butler's Committee, and two others, which, you just now stated, have not been referred to that Committee, but upon which you are ready to go on, with, perhaps, some other cases?—Yes.

17. So that, if I rightly understand, even according to your own conception of the conveniences of the situation for inquiry, there will be some work of the character which is under investigation for us to proceed with?—Yes.

18. You follow what I mean?—I think what the honourable member means is this: If Sir William Butler were not in a position to meet you on all cases, you will still have other cases to go on with, which I could deal with.

19. I mean cases of the same character?—Quite so. Two which have attracted considerable attention are the two I have mentioned, the jam case and the Maconochie case. I am prepared to go on with those to-day, if you like.

20. With regard to all those cases you have referred to, numbering eight altogether, taking them one after another, if you would, I would like to know at what period each of those cases first presented itself to you as a subject worthy of inquiry?—Perhaps I may first of all be allowed to remind the Committee that considerable delay in all cases which require reference to South Africa is unavoidable. It is difficult to realise until you actually come to depend upon communications from South Africa, and it will probably startle the Committee if I say that six months is a perfectly reasonable time to expend in elucidating one point. You want a month to send your request for information out, and a month to bring it back. If the reply is not satisfactory, you have to refer it back to South Africa; that means another month, and then it takes another month to get the reply back. If you throw in one month for investigations locally—and some of these cases have involved reference to other Colonies as well—you very soon fill up six months. I think the Comptroller and Auditor-General will allow me to say this: In his Report, when he alludes to having had no replies to his audit queries, I think that what he means is no final replies; I do not think he means to charge the War Office with any lack of keeping him posted up as to what is going on, but he alludes to the fact that we have not been able to give him a final answer. These cases, with some others, were originally investigated in the ordinary normal course, when the accounts came home from South Africa. But as time

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Votes 6 and 7—continued.

Mr. Blake—continued.

time went on, as I have stated at the beginning, I came to the conclusion about December last year that I could take those cases no farther. It was then—early in January, directly after Christmas—I took the somewhat unusual step of asking that these cases should be dealt with by somebody other than the accounting officer; and since about January 12th or 15th, I think, Sir William Butler's Committee has been dealing with the cases.

21. What I asked is not what you have answered. What I asked was, when first with regard to each one of these cases, did they present themselves to your mind as cases requiring to be investigated? All you have been saying is as to the delay in the process of investigation. I thought what you meant to ask was when did it present itself to my mind that they required investigation by Sir William Butler's Committee.

22. No—I mean your own investigation?—My own investigation, of course, was that of the Finance Department of the War Office, taking the cases as they came from South Africa and going through them—I do not know that I can give you the actual date as to when each particular case began to be looked into by the War Office—they would be taken in turn with the accounts as they came home. They have been undergoing examination for a very considerable time.

23. Are you unable to tell us the dates?—I have not got the exact dates, but I may be able to give you a little information on the point. For instance, the first case of buying and selling by the same firm appeared in the 1903 Accounts. It was "picked up," as we call it, or taken up by the War Office upon the examination of the accounts in September, 1903.

24. Which case is that; is that the first of the six cases you mentioned in order?—No, I was not taking them in any particular order. That covers all the cases of buying and selling in regard to the same contractor.

25. But are there other cases of the same character than those you mentioned?—What took place was that the accounts were examined as they came home in the ordinary course, and passed.

26. And it was only when you got a repetition of these matters or occurrences that you began to suspect something?—We began to suspect that everything, at all events, was not altogether clear and explicit.

27. Now you have just arrived at the point that I want to get at; when was that?—That was in September, 1903.

28. In September, 1903, the collocation of the different instances in which these operations had been repeated aroused some suspicion in your mind that there might be something wrong at any rate, and that things required investigation?—Quite so.

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Votes 6 and 7—continued.

Mr. Blake—continued.

29. What happened then?—Then a cable was sent by the Quartermaster-General in October, 1903, to the General Officer commanding in South Africa, drawing attention to this peculiar arrangement, and asking for an explanation. The answer was "Public moneys saved by this arrangement which enables me to reduce establishment and rents for stores."

30. We will come to that presently. Could you tell me now with regard to what case it was that this suspicion first presented itself to your mind?—I should think I am right in saying mainly in the cases of Stepney, Meyer, and Wilson and Worthington. Those are the cases referred to Sir William Butler's Committee.

31. Those are the (A), (B) and (C) cases?—Yes.

32. So that the (A), (B) and (C) cases mainly, at any rate, were those which first presented this subject to your mind as a question to be inquired into?—Yes.

33. That was in September, 1903?—When I said (A), (B), and (C), I ought to have said (A) and (B), not C. The two cases were Stepney and Meyer.

34. Those were the two that first called your attention to it?—Those were the two which drew special attention to the refunds and the dual system of selling and buying.

35. And you came to the conclusion that a special enquiry was necessary—I do not mean Sir William Butler's enquiry, but that special enquiry on your part was necessary?—Yes, we came to the conclusion that we should have to press our enquiries further home than we had.

36. Now, having got the cases in which suspicion was aroused, and the date at which it was aroused, would you detail the course of events? First, I understand there was a cable to the General Officer Commanding, South Africa?—The first thing we did was to raise the question by asking what was the explanation for buying and selling in connection with the same firm. That cable was sent out on October 1st, 1903.

37. And the answer was that it saved public money?—The words of the telegram were: "Public money saved by this arrangement, which enables me to reduce establishment and rents for stores."

Mr. Cohen.

38. Was that in Lord Kitchener's time? When it says "me," would that be Lord Kitchener?—No, it was Sir Neville Lyttelton, I think.

Mr. Blake.

39. It was from the proper officer in South Africa to answer the question that the answer came?—Yes.

40. That did not end the matter?—No; that is what we took up, and what we kept on incessantly inquiring into and telegraphing and writing about, and receiving answers, and it was because after a considerable lapse of time I could:

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Votes 6 and 7—*continued.*

Mr. Blake—*continued.*

could not take those cases and analogous cases beyond the point I have indicated to the Committee that special action was suggested by me.

41. Then this class of case is the class of case in which there is buying and selling?—And refunds also.

42. It is that class of case?—Yes.

43. Is that a class of case which extends beyond the three cases (A), (B), and (C)—Stepney, Meyer, and Wilson and Worthington?—Yes, I think the six cases.

44. It would apply to the other three also, would it?—Yes, I think the question was raised when the Stepney and Meyer cases presented themselves.

45. The Wilson and Worthington case appears to have been a little later, I gather, from your withdrawal of their name from the trio you first mentioned?—I put the trio together because they were (A), (B), and (C).

46. Then the Wilson and Worthington case also you inquired into, and had to deal with in September, 1903?—I have just been reminded that the Wilson and Worthington case is one of refund only, and not of sale and repurchase as well.

47-8. It presented only one of the two classes of weaknesses that belonged to the other transactions; but it presented one of the weaknesses?—Certainly.

49. All those came in September, 1903, did they?—That was when we first began to realise it was a serious thing.

50. Would you say when you first began to deal in the same sense with the other three cases which have not been mentioned in the Comptroller and Auditor-General's Report?—I think I may say that the moment we come to the conclusion that a special and ultra careful examination was necessary it applied to every case that has come under review.

51. But there was a period when these cases presented themselves to you as abnormal?—They all did about the same time, because we approached them not from the standpoint of individual cases, but from the standpoint of the peculiar transactions which constituted these cases.

52. You think the other three cases presented themselves about the same time?—Yes.

53. From that time onwards every diligence was used by you by inquiry, by letters, and by cable to obtain information in order that you might satisfy your mind one way or the other by that method on these six transactions?—That is so.

54. As to three of these cases, they have not been mentioned in the Comptroller and Auditor-General's Report. The other three did come under his specific review, and he made his queries to you at a certain time; was that time before or after you yourselves had commenced your investigation?—In some cases we had already commenced our investigation, but in some cases I am bound to say we were put on the right track by the Comptroller and Auditor-General's query.

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Votes 6 and 7—*continued.*

Mr. Blake—*continued.*

55. We have only got three cases to deal with, so far as the Comptroller and Auditor-General is concerned, in this class of cases you have just been talking about?—Yes, but it was what I might call the tone of the inquiry that he made.

56. You saw the weakness that he indicated?—Yes.

57. And with your own knowledge you could apply it to a wider area?—Quite so. I might put it that the Comptroller and Auditor-General's queries accentuated the doubt we felt, and did help us undoubtedly in some cases in taking the particular line of investigation.

58. Then from September, 1903, you prosecuted with all diligence your inquiries by the methods you have mentioned. When was it that you arrived at the conclusion that you could not carry them further, and that they had to be carried further?—Last December.

59. Not until last December?—No. As I have said, it is difficult for the Committee to appreciate the fact, but it is none the less the fact, that when you have to communicate with South Africa six months go in no time at all, sending queries backwards and forwards. It is easy to fill up a year with a difficult case.

60. I am not insinuating any blame at all; I am trying to get at the facts. As I understand it, it was in the course of last December you came to the conclusion, for the reasons you have mentioned to us in regard to the impossibility of examining witnesses, and so on, that you could not carry it further?—I came to the conclusion I could not take the cases any further, and in my opinion it was essential that they should go further.

61. And thereupon an independent Committee was suggested, as you stated?—Yes.

62. Sir William Butler's Committee?—Yes, that is where he came in.

63. What would you say with regard to the other cases which have not been referred to Sir William Butler's Committee at all, as regards the same class of information that I have asked for. Take, for example, the Maconochie case; when did the Maconochie case and the other cases first present themselves to you as suspicious?—The Maconochie case is a concrete case—it is not yet finished; it would be a long case to go into. I am afraid I cannot give any very detailed information as to that now.

64. I am only asking about the date. There was a period at which you became suspicious—what was that period?—You must understand the Maconochie case is a totally different case from the others we have been speaking of. The Maconochie case is a question of rations condemned. No question arises in the Maconochie case of purchase and sales and rebate. It is a totally different class of case. That is a case I do not think it necessary to refer to anybody else; it is a case I ought to be competent to put before you, because it is merely a question of fact.

65. I ask you when it first presented itself to your

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Mr. Blake—*continued.*

your mind as a case requiring special investigation?—When we got reports on the heavy destruction of rations at Durban. I think I can give you the date in a moment. The Maconochie case is one which is a very large one, and the dates will apply to no less than four different features in it, so that I think you will get the dates better when we go into the case. From 1901 until 1904 we have been on the Maconochie case.

66. That is what I wanted to know?—But I am giving you information which I am afraid may mislead you, because in this case, if I may say so, you are working your dates in regard to one set of cases, which differ absolutely from the Maconochie and the jam cases.

67. I appreciate that. I want to keep them distinct—I have obtained one set of dates to apply to one set of cases. I want another set of dates to apply to another set of cases?—I think the Maconochie case was taken up, so to speak, in 1901, as regards a certain portion of his rations, at any rate, and it has been going on ever since.

68. But all the questions of difficulty with regard to that case did not present themselves as early as 1901; some presented themselves later—were they different transactions, or different features of the same transaction?—They are three absolutely different transactions, or three different cases in connection with the Maconochie case, or within the Maconochie case.

69. It first presented itself as one case in 1901, and then later on as another case; would that be in 1902?—No, it began when we took up the whole case of the Maconochie rations from beginning to end.

70. Suspicion having been aroused in 1901, you took up the whole case, and it has been pro-

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Votes 6 and 7—*continued.*

Mr. Blake—*continued.*

ceeded with ever since, from 1901 to 1905?—Yes.

71. Is it ended now?—I would rather prefer to deal with the case of Maconochie by itself, and completely, but if you wish to know, I cannot tell you to-day whether it is ended absolutely, but I think it is about to be so.

72. You mentioned one other case; was it the case of jam?—Yes, the case of jam.

73. When did the jam case first present itself to your mind as suspicious?—The jam case stands on much the same footing as the Maconochie case, in a sense, because that is also a case that has nothing to do with purchase and sales. You may take the date of the beginning of the jam case to be early in 1903.

74. Is that ended yet?—Yes, I think it may be said to have ended. I do not think we shall get any further with it. But I want again to emphasise this: Those cases may be good, bad, or indifferent (that is for the Committee to judge), but they are not cases which entail the suspicious element of the others, and therefore I am anxious, in fairness to those two cases, not to mix them up.

75. I do not mix them up with the other cases, but I want to get the facts with regard to the commencement or conclusion of the inquiry with regard to all the eight cases you have mentioned?—Quite so. I do not know that I have made myself quite clear upon one point. In many of these cases the first explanations we got appeared to be perfectly satisfactory. It was by the light of subsequent explanations in subsequent cases that we were induced to reopen those cases.

76. I think you stated that in the early part of your examination. I understood that?—I wanted to make it quite clear.

LIEUTENANT-GENERAL SIR WILLIAM BUTLER, K.C.B., called in; and Examined.

Chairman.

77. We understand from Sir Fleetwood Wilson that you have been appointed Chairman of a Committee of Inquiry at the War Office upon certain alleged scandals in regard to stores in South Africa?—Yes.

78. May I ask you first of all what are the terms of reference to that Committee?—Perhaps I had better read them.

79. Will you kindly do so?—The terms of reference are: “(1) to investigate and report on the terms of contract and other circumstances connected with sales and refunds to contractors in South Africa at the end of the War. (2) To make special inquiry into the following transactions: (a) Refund on forage contract to Mr. Stepney; (b) sales to Mr. Stepney, (c) Meyer refund and sales, (d) refund, Wilson and Worthington, biscuits (e) Wilson, tinned meats, re-

Chairman—*continued.*

fund, (f) belated claims for Natal Brewery.” That is heading number (2). Then the third heading is: “(3) To report upon the responsibility of those concerned.” That is all.

80. How many cases does that make in all?—That makes six specific cases.

81. May I ask you now what progress you have made? Are you taking them contemporaneously or one after the other?—The letter of appointment to me personally is dated in the last week of January—the 27th or 28th. The Committee assembled on February 10th for the first time. It has sat seventeen times; it has examined a good many witnesses; I could not say exactly the number now, but it has put so far nearly 3,000 questions. It has practically completed the first three cases named—the refund on forage contracts of Mr. Stepney, and the sales to-

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[Continued.]

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Votes 6 and 7—*continued.**Chairman*—*continued.*

to Mr. Stepney; the refund of Wilson and Worthington's Biscuits; and it is now engaged upon the Meyer refund. It has taken the cases separately; but the witnesses in one case have occasionally been witnesses in the others; it has called some of the witnesses three or four times.

82. There are three cases which you, as Chairman, consider are practically concluded?—With this exception, that we have not yet had handed to us all the papers from South Africa, nor have we examined the General Officers who were concerned in these transactions. We determined to keep the examination of the General Officers to the end, and to examine them on the entire six cases—not on the separate cases—while we dealt with the intermediate personnel separately in each case, the General Officer being a sort of covering authority.

83. In what form do you think you could best put this Committee in possession of the information you possess about these three cases?—Well, generally speaking, they follow pretty much the same tracks. There is a contract or agreement loosely made—sometimes not a contract; they are all by private arrangement (except the case of Meyer, which was a tender with others), and the application for refund which we are specially engaged in considering appears about three or four months later in each case. I should hesitate to state anything at this stage of our investigations which would refer personally to any particular individuals—I only speak of these cases generally as the whole.

84. Would you give us the names of the other members of the Committee?—Colonel C. A. Hadfield, Major C. B. Little, and Mr. H. J. Edwards, *r.s.o.*

85. When do you expect to conclude your report?—We are now at the last case, that of Meyer, and there are two more of the specific cases which we have not touched. One, I understand, is a comparatively short one; the other, the second Stepney case, is more complicated. On those six cases I should say that in three weeks' time now we will be in a position to close our report.

Mr. Blake.

86. To close the evidence?—To close the evidence; and I should say by the end of April we will be in a position to present the report.

Sir Frederick Banbury.

87. Do I understand that cases (A), (B), and (C) have already been closed, and a report made?—No, they have been carried to a point at which the evidence has been collected and summarised to date, and left there to await the arrival of certain papers from South Africa, and the evidence of the General Officers.

Mr. Blake.

88. That is what I was going to ask; there are two elements which belong to all the cases, as I understand, as well as those that are closed, with that exception, as those that are in a less finished

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Votes 6 and 7—*continued.**Mr. Blake*—*continued.*

condition—that is to say, more papers are wanted from South Africa, and the covering evidence of the General Officers is wanted in all of them?—In all of them.

89. What position are you in with regard to the arrival of the papers and the men to give this evidence—are the officers you want to examine in South Africa?—No, the General Officers we want to examine are present in this country?—General Lyttelton and General Miles.

90. As to the papers from South Africa, we have heard the length of time it takes between here and South Africa; when do you expect them?—I am not concerned in the application for them. That is done by the War Office, but I am informed they have had several cables since as reminders; and I should think some of them ought to be expected next week.

Mr. Cohen.

91. Are you going to report upon the cases separately or upon all the six together?—On all the six together, but under separate headings.

92. When you have completed the investigation of the first three cases you will not make a report upon them; you will wait until you have completed all the six cases before you make a report?—That was our intention.

Mr. Blake.

93. If it be the case that you have got on the spot the officers who may be examined, you might complete forthwith, so far as the oral evidence is concerned, the first three cases; and if it be the case that the written evidence which you still require in regard to the first three cases should arrive next week, can you perceive any inconvenience in completing your inquiries and presenting your report as to those which I understood from the statement of Sir Fleetwood Wilson present different features and a different character from the others, in view of the obvious anxiety of the House of Commons and the public to prosecute an independent inquiry in the House of Commons upon the matter; because otherwise, you see, we will not begin to proceed with such inquiry until the month of May?—The position, you see, is this: We have asked up to now nearly 3,000 questions. The shorthand writing and typewriting, and the consideration of the evidence cannot be rushed, and before we have completed it we may probably ask 6,000 questions. That is obviously a large amount to boil down into a report; and looking to the fact that the character of officers and individuals may be gravely concerned, it requires care and judgment in drawing our report; therefore I should ask the Committee not to press us on unduly in that matter.

94. You misunderstood me if you supposed I was desiring to press you on at all; I agree with every word you have said. I was inquiring simply whether, given all the time, all the attention, and all the care it is obviously your duty to give, you could complete that which is so close to completion—the first three cases—and present

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Votes 6 and 7—*continued.*Mr. Blake—*continued.*

your deliberate report upon them, so that the House of Commons Committee might be getting on with their inquiry, and the whole business might not be adjourned to such a late period of the Session as would result from your waiting to deal with all the cases?—I see your point. On the other hand, the evidence is identical in nearly all the cases; we have now had Army Service Corps officers up four times dealing with these four cases, and they may go into the other cases. And I would submit to the Committee that each case throws light upon others. As we go on, new avenues open, and new names appear; and they have to be summoned. There is not a day that we have sat that more light has not come to the Committee.

Sir Frederick Banbury.

95. You mean it will enable you to give a more complete report if you reserve it until you have gone into all the cases?—I should hold open 1, 2, and 3 for that reason; that 4 and 5 may throw fresh light on 1, 2, and 3.

Sir Robert Mowbray.

96. That suggests to my mind another question which I should like to ask. I rather gathered from Sir Fleetwood Wilson that it was open to your Committee to inquire into any other cases not specifically referred to you, but of an analogous character?—It is so stated in the terms of reference.

97. So I gathered from the first part of the terms of reference which you read. I wish to ask whether anything has come before your Committee that would lead you to think your enquiries might be prolonged in that direction?—Many cases have come in the process of evidence that brought in other issues. For instance, to take this jam case, we have not got that before us; in fact, we have got nothing specifically before us but the six cases I have mentioned; but in taking evidence, answers occur that open up, as I say, fresh issues. For

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Votes 6 and 7—*continued.*Sir Robert Mowbray—*continued.*

instance, we had a witness lately who stated that refunds were still being demanded.

98. You would consider it within the terms of the reference to your Committee to investigate in detail any such case which was suggested to you in evidence?—Certainly, but after the six cases were finished, I would submit for instructions with regard to those other cases.

Chairman.

99. You would prepare a report for the six cases?—Yes; I would prepare a report closing the six cases, and say there are so many other cases that might come in under the first part of the reference.

100. I think you said that at the end of April you thought you would be in a position to present your report?—Yes, I think we might safely say by the end of April.

The Committee Room was cleared, and after a short time the witnesses were again called in.

Chairman.

101. (To Sir William Butler.) We will not detain you further now, Sir William. The Committee have fully considered the evidence you have placed before them, and they quite appreciate your difficulty in saying anything now. They only wish to remind you that the House of Commons is anxious to have a report upon this matter, and the sooner we get one the sooner we shall be able to make some report to the House of Commons. I am sure you will bear that in mind. I will bear it in mind, and our Committee will do all they can to meet the wishes of this Committee.

We are much indebted to you for coming here to-day.

(Sir William Butler withdrew.)

STORE ACCOUNTS OF THE ARMY SUPPLY ACCOUNTS.

DURBAN BASE RESERVE DEPOT.

Sir GUY D. A. FLEETWOOD WILSON, C.B. recalled; and further Examined.

Chairman.

102. I understand you are prepared to give us some account of the Maconochie case?—Yes. Do you wish to take the Maconochie case *per se*, and not to proceed with paragraph 80 of the Report on the Appropriation Accounts and the following paragraphs.

103. I think we can take it most conveniently upon paragraph 15 of the Store Accounts. Did Messrs. Maconochie supply those rations at Durban which are referred to in that paragraph,

Chairman—*continued.*

which were declared unfit for use?—There were a great number of supplies at Durban, not only Maconochie's supplies. The losses at Durban fell into two classes.

Sir Robert Mowbray.

104. I observe in this paragraph reference is made to our Report of last year, page XVII. I have looked at that Report, and I see we stated then that a Committee was "still sitting on the Durban

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Sir Robert Mowbray—*continued.*

Durban Base Depot accounts and storage of supplies, and the General Officer Commanding in South Africa has been asked for a report upon the Storage and Survey Boards. Both reports when made will be laid before the Treasury. Have they been laid before the Treasury?—Yes, and the Treasury approved the recommendations of the Committee's Report, and the losses were written off. You will find the Treasury letter on pages 178 and 179. The losses at Durban fell into two classes: (1) Deficiencies of supplies on closing up the war accounts, and (2) Condemnations of supplies after the war. As stated last year, these transactions were investigated by a Committee. That Committee consisted of General Wynne, Colonel Dunne, Colonel Clayton, Mr. Flynn and Mr. H. J. Edwards. Mr. Flynn is Assistant Director of Accounts, and Mr. Edwards is an officer of the Department. Their recommendations were submitted to the Treasury, and the losses were written off. The correspondence with the Treasury you will find at pages 178 and 179 of the Report.

Mr. Cohen.

105. With regard to this Treasury letter on page 178, the Treasury ask that they may be "furnished with a brief summary of all losses incurred with rations of various kinds in connection with the war." Has that brief summary of losses been furnished to the Treasury?—Yes, it has gone in.

106. Then you will be able to tell the Committee what you told the Treasury. There is not anything in the papers. I have been able to discover which would enable us to tell how much the losses amount to—it is all given in quantity and not in value. I understand you to say that information has been sent in?—That has been sent in. I find I have not got the letter at present, but I can put in a copy of the letter next time if the Committee desire it.

Chairman.

107. I think that would be useful. Now will you continue your recital in regard to the matter dealt with in paragraph 15?—That matter arises out of questions put by this Committee last year. If you have last year's Report and evidence you will see it is dealt with at questions 4121 to 4139. The original estimate of the losses was 76,000*l.* net; but the Committee, by very laborious investigations, were able to reduce the amount to 32,000*l.*; that is to say, account-keeping, book-keeping mistakes, and so on showed that the actual cash deficiency was 32,000*l.* instead of 76,000*l.*, which was the original estimate.

108. They reduced it to 50,800*l.*, and you found surpluses under other heads of 18,800*l.*; that reduced the net deficiency to 32,000*l.*?—Yes, to 32,000*l.* net. The view of the Committee is summarised by the Treasury as follows: "The Army Council request authority for the writing off
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Votes 6 and 7—*continued.*

Chairman—*continued.*

of net deficiencies amounting to 32,000*l.* (against an earlier estimate of 76,000*l.*). The Committee are of opinion that these deficiencies are attributable to the extreme pressure existing at Durban, to the inadequacy of the Army Service Corps Staff, and to the frequent changes in personnel." It was shown that "each officer assumed charge without taking stock," and the "paucity of officers and the impossibility of closing down" is a matter held to account for the state of affairs there. "They consider that 'the bulk of the deficiencies undoubtedly may be ascribed to errors of account'; that 'no effort within the power of the officers was spared for the protection of public supplies,' and that it is 'impossible to believe the deficiencies represent actual loss to the State.' They estimate the supplies that passed through Durban at not less than 6,000,000*l.*, the deficiency of 32,000*l.* now disclosed being one half per cent. on the turnover. My Lords have no further observations to make, and in view of the care in which the matter has been investigated" by that Committee, "they authorise the write-off proposed." So I think, at any rate, the Treasury were satisfied that the investigation by the Committee appointed *ad hoc* had been thorough and satisfactory.

Sir Frederick Banbury.

109. In the third sub-paragraph it says the supplies destroyed at Durban amounted in value to 203,027*l.*: you gave the net losses as 32,000*l.*; how do you reduce the 203,027*l.* to 32,000*l.*?—The 203,000*l.* is condemnations. I have been dealing with losses only as apart from condemnations. At Durban the condition of affairs was this. The losses, as I said at first, resolved themselves into deficiencies of supplies on closing up the war accounts and condemnations of supplies after the war. When you came to balance your store accounts as against stores there was a deficiency.

110. That was a comparatively small amount?—Yes.

Chairman.

111. Then we have dealt with "deficiencies." Now we come to condemnations?—The value of the condemnations at purchase prices at Durban was 203,000*l.* (which is the figure the Honourable Member was dealing with just now), of which 121,000*l.* was for meat and vegetable rations, and 60,000*l.* for preserved meat, ham, bacon, and all things which are difficult to preserve. At the end of the war such stuff had to be sold, and on the basis of prices realised elsewhere it would only have fetched some 26,000*l.* That figure is a guess, it is true, but that is what has been given to me as the figure. Therefore such losses to some extent are held to be an inevitable result of having a four months reserve for a large army. The Committee investigated this portion of the condemnations, and the Committee report in regard to this wholesale destruction of
B 2 goods

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Votes 6 and 7—*continued.*

Chairman—*continued.*

goods they found there were four reasons for it which they considered to be satisfactory. They said: (1) "That the destruction was absolutely necessary"; (2) that the "deterioration was hastened by the want of proper storage"; (3) that in the circumstances "the stacking of stores in the open was unavoidable"; and (4) "that in so far as individual responsibility is concerned the officers performed their duties satisfactorily, and that the losses were due to circumstances beyond their control." I have already given you the composition of that Committee. They went into the matter very very carefully, and a very laborious investigation it was; and that is the conclusion they came to, and on that the Treasury agreed to write off the losses.

Sir Brampton Gurdon.

112. I observe the Report of the Committee does not say that the deterioration was caused by want of proper storage, but that it was "hastened by the want of proper storage"; therefore, although the officers are exonerated it does not exonerate the contractors?—I should think when they say it was "hastened" that means that all these things would eventually deteriorate if they were kept long enough, and that they deteriorated rather sooner than they would be expected to deteriorate under proper conditions. No tinned things would keep for ever. I think that is the explanation of what they mean. Mr. Flynn, who was a member of the Committee, is here and could speak to that (*Mr. Flynn.*) That was the intention of the Committee. It was considered that tinned supplies of that sort would not keep for any great length of time anyhow. Two years was the maximum, but in this case they did not last so long as they ordinarily would have on account of the improper storage.

Sir Guy Fleetwood Wilson.

113. You expected them to last two years?—Two years was the ordinary guarantee, but the experience of the war seems to show they will not last for two years under any war conditions.

Sir Frederick Banbury.

114. Does that matter to the War Office? If they make a contract that it should last for two years, then it is the contractor's look out, is it not?—If the contract is a contract made in those terms, and there are no extraneous circumstances in connection with the contract we should hold the contractor to his bargain; but when this Committee stated that the "deterioration was hastened by the want of proper storage" that is what it meant: they did anticipate that a time would come when the rations would perish, but they perished sooner.

Mr. Blake.

115. It amounts to this, as I understand: the rations perished sooner than was expected; they

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Votes 6 and 7—*continued.*

Mr. Blake—*continued.*

might have been worth something if it had not been for the improper storage, although they might not have been in prime condition; but the deterioration had gone on so much faster that they had practically become worth nothing?—That, I think, is the interpretation that might be put upon it.

Sir Frederick Banbury.

116. Were all the rations guaranteed for two years?—In the Maconochie case do you mean?

117. I am dealing with those at Durban at the moment?—The general condition that attaches to a contract is a two years' guarantee.

118. Were any steps taken to represent to the contractors that these various articles had to be destroyed owing to their bad condition before the two years had expired?—Yes. The rations, as you are aware, divide themselves into Emergency rations and Meat and Vegetable rations. The Meat and Vegetable rations are packed in tins and are not considered a class of goods to stand a tropical sun for any length of time. But the doctors were strongly in favour of them, and urged most strongly that they should be sent, even though there was a risk of their not standing the climate, because of the immense importance of giving vegetables occasionally to the troops. The contracts did contain the two years' guarantee; but the guarantee has been held by the contractors to imply ordinary conditions of handling and storage; and that is one of the difficulties which has arisen. There was not sufficient proper storage, and they had to be stacked in the open. Every step in this rations case has been taken with great care and circumspection by the War Office. They were very anxious about these cases; but the Law Officers gave their opinion that the War Department would not be able to maintain its claim before a Court of Law for losses occurring before these guarantees expired, because of that very reason—that they had been subjected to abnormal treatment, which vitiated the conditions of the guarantee in the contract. That was represented to the Treasury, and the Treasury have agreed to wipe off the loss.

Sir Frederick Banbury.

119. Then it is a fact that the War Office have considered this guarantee, and, on the advice of the Law Officers of the Crown, the War Office, being of opinion that the deterioration was owing to the manner of handling and stacking, think they can recover nothing from the contractors?—That is so.

120. And consequently the contractors were not to blame; does not that seem to be the logical conclusion?—It is fair to say that I can trace no complaint with regard to these rations until the Durban period.

121. We are discussing the Durban period?—Yes, but I mean that tends to show rather that until they were subjected to very abnormal treatment no fault was found with them.

122. Were

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Sir Robert Mowbray.

122. Were the other rations supplied by the same contractor as the ones at Durban?—The House was furnished the other night with a list of the contractors of all these Emergency rations, and Meat and Vegetable rations; they were all lumped up together, and it is perfectly impossible to earmark the particular stores which went wrong, and were condemned at Durban; they were a mixture, and from practically every source.

123. My question only arose out of your statement that no complaints had been made except about these stores at Durban. That, I understand, you attribute to the fact that the stores at Durban had been subjected to very abnormal conditions?—When I say that no complaints have been received I should rather say I have not been able to trace any complaints in all the papers I have been through—none appear to have come home until the time of this enormous stacking at Durban. The actual pressure of the stores in itself would damage them, I think. Probably we may take it that supplies from every contractor were in those large stacks.

124. That answers my point—that the condition at Durban applied to all the contractors?—I think it must be so, because every contractor has had a certain amount of rations condemned; there were condemnations of Emergency and Meat rations which had been furnished by every contractor.

125. Therefore, you consider in all probability the fault was not in the contractor, but in the mode of stacking at Durban?—The general treatment they have received. Of course I can only give the Committee the impression I have received from dealing with the case, and, at second hand, the opinions of the supply officers who were satisfied with the goods, and who passed them.

126. I only asked the question because I thought from your answer there was a difference between the stores that had been distributed at once up country and the stores stacked at Durban, and I wanted to know whether you could say there was any difference in the contractors from whom the different sets of stores had been furnished; but that you cannot do?—No, I do not think I can.

Mr. Yerburgh.

127. On that point I should like to refer for a moment to paragraph 17, which relates to condemnation of rations at home?—That is another point I will come to in a moment.

128. I wish to refer to it now because it bears upon the argument that the stacking is responsible for the deterioration. The question I want to ask is this—whether in coming to the conclusion that the stacking was responsible for the deterioration did you take into view the fact that a large number of these Emergency rations had been condemned at home?—I wish to be very explicit upon that point. I cannot assume any responsibility for the causes of this deterioration.

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Votes 6 and 7—continued.

Mr. Yerburgh—continued.

ration. It undoubtedly did occur, and the only point of view from which I can deal with it is as to whether I can recover any money in regard to the deterioration. It is held that the abnormal treatment which these goods received in South Africa was a cause, if not the cause, of their deterioration. The point which the Honourable Member makes is that some of the same goods, or the same class of goods, went bad in England. In regard to those I am coming to that point when we reach that paragraph, and will tell you what action was taken with regard to it. It is perfectly arguable (which is the Honourable Member's point, I presume) that they were in the same condition, and the same class of goods in both cases. That may be so—I cannot say; all I say is that from a money point of view our position is different with regard to the two cases. In the one case we cannot make any claim because it is held that the treatment the stores received was bad, and therefore, even if they were bad, we could not recover. In the other case, obviously, if they went bad in England, I should think we had a right to recover.

Sir Frederick Banbury.

129. As regards the condemnations at home, it would be better to wait until we come to Paragraph 17, probably?—It is easier to deal with them separately.

Mr. Buchanan.

130. When you said a minute or two ago that rations were condemned of all the contractors who supplied the Forces, of course, as regards the importance of that, everything would depend upon the proportion of the condemnations to supplies; were they about uniform in proportion?—I do not think I have got the proportion. I have got the actual figures. The other ration is the Emergency ration, and the Committee, I dare say, are aware that that consists of two tins fastened together by a band of tin and solder, and one tin contains pemmican, which is a preparation of meat, and the other contains cocoa paste. Those also the Treasury agreed to write off on the same grounds, namely, that the treatment they had received rendered it impossible to attach any particular blame to the contractors in regard to them, and also that that seemed to the Committee that investigated the case to be sufficient to account for their condition. I might mention to the Committee that the question of the future storage in the field has been very carefully considered. Experiments are going on continually in various parts of England. We had hoped that we had found a satisfactory form of shelter, but it has turned out unsatisfactory, and the military authorities are experimenting constantly with a view to arriving, if possible, at some method by which a shelter for goods can be devised which could be rapidly put up in time of war. The question of the Meat and Vegetable rations has also been, and is being very carefully considered.

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Votes 6 and 7—*continued.*

Mr. *Ferburgh*—*continued.*

considered, because it is important that you should have a Meat and Vegetable ration that will keep, and at present the climatic effect is a difficulty. Of course, that entails experiments in various countries. So that both those questions have been kept much to the forefront; but they are not yet decided.

Mr. *Cohen.*

131. That is as regards the future?—Yes.

132. But have the War Office satisfied themselves that proper steps were taken in this case, having regard to the pressure?—Yes. I have read you the Report of the Committee, which was appointed *ad hoc*. What they said was that the "deterioration was hastened by the want of proper storage," and that in the circumstances "the stacking of stores in the open was unavoidable."

Mr. *Victor Cavendish.*

133. Could you give the figures of the Emergency rations and the Meat and Vegetable rations which were condemned respectively during and since the termination of hostilities?—It is given as 974,000 during hostilities for the Emergency rations; and 267,000 for the Meat and Vegetable rations; and since the termination of hostilities 59,000 and 4,000,000 and odd respectively.

Chairman.

134. It appears that over 4,000,000 Meat and Vegetable rations were condemned after peace was signed. Are not the circumstances altogether altered as regards those when the Committee say that in the circumstances "the stacking of stores in the open was unavoidable"? I dare say it was unavoidable in war time; but the greater bulk of those stores was condemned subsequently, and I should not have thought the stacking of stores in the open was unavoidable in peace time?—But they are the same stuff, and the damage had been done.

135. You think it had?—That is what I am informed.

Mr. *Blake.*

136. One of the difficulties is, that even in the open they do not seem to have had ground space enough to stack the things shallow enough, so that there was pressure, and you had a great quantity of supplies kept too long. Instead of taking out the earlier supplies and stacking the later ones, you kept the earlier ones until they were no good?—That was so.

Chairman.

137. However, some new method of stacking stores is under consideration?—Yes; constant experiments are going on.

138. The Meat and Vegetable ration is not entirely given up yet; it is under consideration, I understand?—That particular Meat and Vege-

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Votes 6 and 7—*continued.*

Chairman—*continued.*

table ration, I fancy, is given up, at any rate, for tropical countries; but a Meat and Vegetable ration is very much wanted.

CONDEMNATION OF RATIONS AT HOME.

Chairman.

139. Now we come to paragraph 17—the condemnation of rations at home; will you tell us about that?—That opens up a very different question.

140. Who supplied the rations referred to in this paragraph?—Messrs. Maconochie.

Sir Frederick Bambury.

141. They were supplied by one firm, and that firm is Maconochie?—Yes; complaints arose in 1901 of the condition of those rations, and Messrs. Maconochie agreed to take part of the rations complained of and refill with sound materials when necessary. In pursuance of that they replaced 365,600 rations between December 1901 and May 1902. But pemmican for 231,498 in those replaced rations was supplied by the War Office on payment. I believe what took place was this. I have been told there was a shortage of pemmican in the market, and we had got the pemmican. At any rate, it was supplied from Woolwich on payment; so that the pemmican in the 231,498 rations may be said to have been our pemmican. That is a factor which affects the whole case.

142. When we wanted to buy pemmican, did we sell it to Maconochie and buy it back from him?—No, we had pemmican, and we wanted it made up into these Emergency rations, and Maconochie made it up for us. That is what took place, practically. We had got pemmican at Woolwich, and it was difficult to get pemmican in a hurry, I understand, and we gave Maconochie the stuff to use and turn into Emergency rations.

Mr. *Blake.*

143. That was the nature of his contract—he was to pack your stuff and turn it into Emergency rations?—One part of the Emergency ration was pemmican, and the other part cocoa paste, as I have explained. We found pemmican for the 231,498 rations.

Sir Brampton Gardon.

144. Were those the replaced rations, or the original rations?—Those were the original rations, I think.

145. Part of the 497,125?—They were part of the 365,600 rations.

146. Which were replaced?—Which were replaced.

147. But you gave them the stuff to replace it with?—No, I think the point of the pemmican applies to the original rations that were bad—the 497,125.

148. What

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Votes 6 and 7—*continued.*

Sir Frederick Banbury.

148. What do you contend; do you contend that your pemmican was bad?—I do not contend anything—I only bring that in as a fact, and it is a fact that has some bearing upon the condemned rations, because within those rations was stuff that was army stuff.

Mr. Blake.

149. Did the contractor in his contention which terminated in the proposal for a settlement submitted to the Treasury contend that this deterioration of the ration, which resulted in condemnation, was due to the badness of your pemmican?—He contended that the fact that our pemmican was in 231,000 rations did relieve him of considerable responsibility in connection with that number of rations.

Sir Frederick Banbury.

150. But was it not possible that it might have been his treatment of the pemmican that made it bad?—Yes. I do not say it is a complete answer in the slightest degree, but I say it is a factor that cannot, I think, be altogether ignored that he did have some of our pemmican, and that he put it into some of these rations.

Chairman.

151. Did you take any steps to find out what happened to the pemmican between the time you handed it to him and the time he returned the rations by you?—I am not aware that any steps were taken; that would be a question for the Inspecting Officer.

152. Is that not rather important in view of what occurred?—I can ascertain whether any steps were taken. As I understand, the pemmican would be handed over by us, and there was no time lost in making it up.

153. Supposing his premises were unsuitable for the packing, the deterioration might occur there?—Yes, that is so, certainly. I cannot say whether we had any officer watching the pemmican after it had left us. I could ascertain that.

Mr. Blake.

154. What is stated in paragraph 17 is that nearly a half a million Emergency rations were condemned at home. Of that quantity 365,600 were replaced by the contractor. The contractor therefore acknowledged that the 365,600 condemned rations were properly condemned?—Yes.

155. And that it was his wrong—which he presumably rectified?—Yes.

156. Having made that acknowledgment, and presumably repaired the wrong, many of those which he replaced were found to be unsound too?—Yes.

157. As regards your faulty pemmican, was that introduced into both these operations?—I should say not, but I cannot answer that question.

158. You see the contractor himself acknowledges in regard to the 365,000 he is in the

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Votes 6 and 7—*continued.*

Mr Blake.—*continued.*

wrong?—Yes, it is in regard to those that the pemmican of the 231,498 rations was War Office pemmican.

159. Then he acknowledged he was in the wrong as regards those because he submitted to replace them?—Yes.

160. Therefore no question arises as to those, of its being the unsoundness in the pemmican you had supplied that produced the damage?—I cannot say what the cause was, but I quite see your point. I think it is evident he did not make any claim at any rate.

161. Then, having acknowledged that he was in the wrong, and having submitted to replace them, it turns out that he replaced them with unsound goods the second time. Does any question arise about that replacement; did you supply any pemmican on the replacement?—I think the only pemmican we supplied was in the first lot.

162. It does not appear to me there is anything in the contractor's point as regards the unsoundness of the War Office pemmican?—I must correct what I said. I find I have got my note wrong. Our pemmican was furnished for the replacement. Our pemmican was in the replaced rations, and not in the original rations, except to a limited extent.

163. Then the result would be this: that having condemned, and the contractor having submitted to the condemnation of the 365,000 rations, and proposed to replace them, the suggestion would be (if there were any suggestion about it) that you yourself gave him unsound stuff to replace the unsound rations?—That is so.

Chairman.

164. Have you any explanation or excuse for these bad rations being furnished, as regards this 365,000?—142,000 of the new rations went to South Africa, and, of course, it is impossible to say whether they were satisfactory—at least we cannot say now whether they were satisfactory or were included in the later condemnations. They were lost sight of in the general quantity. The balance, 222,787, in July, 1903, were found to be generally unsound, but there is no means of distinguishing which tins contained the War Office pemmican; some may have contained War Office pemmican and some may not. It is extremely difficult to connect the failure of the ration with the particular pemmican that was used, whether War Office pemmican or trade pemmican.

165. I was talking of the first delivery. You supplied no pemmican for the first lot, I understood?—On that point I made a distinct mistake, and I should like to be allowed to correct my evidence in that respect. I stated at first that the War Department pemmican was in the original rations, but I find it was in the rations that were supplied in substitution of the bad rations.

166. And not the original?—Not the original, except to a limited extent.

167. Did the contractor offer any excuse for the

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24 March 1905.] Mr. KEMPE, C.B., Mr. CHALMERS, C.B., and Sir G. D. A. F. WILSON. [Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Votes 6 and 7—continued.

Chairman—continued.

the unsoundness of the rations?—Generally speaking, his contention was that these Emergency rations cannot be made to last any time without deteriorating, and that the condition which attached to his contract, that they were to last for two years, was one which it was not only unreasonable to hold him to, but one which he understood he would not be held to.

Sir Robert Mowbray,

168. But these Emergency rations referred to in this paragraph were destroyed at home before they were sent out at all?—Yes.

168* How long had they been in stock?—As regards the rations at home it began in this way: In 1899 Woolwich found itself unable to put up these rations fast enough to meet the demand for South Africa, and the Director of Contracts, on being informed at home, made inquiries of the trade, and Messrs. Maconochie, who had dealings with us as packers, offered to do their best to meet the difficulty. They had had no previous experience in this particular article, but they undertook it. A tender was made out on the usual "provisions form," which includes the guarantee of two years. That was in 1899.

169. When were these rations destroyed?—In October, 1901, it was discovered that the rations supplied were going wrong.

170. That was about two years afterwards?—Yes, about two years. A difficulty was experienced in ascertaining the total quantity. But on the 25th October 1901 Messrs. Maconochie agreed (though they protested) to replace the total 495,000 which were the rations at home.

171. What proportion did those 495,000 which were condemned bear to the total which they supplied?—Maconochie supplied in all 1,790,000 rations—getting on for 2,000,000.

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Votes 6 and 7—continued.

Mr. Yerburgh.

172. With regard to the amount of pemmican supplied by the War Office, can you tell us what quantity of rations that would have supplied. I understand that out of the 365,000 which were replaced by the contractor some of the pemmican was found by himself; it was not all found by the War Office?—The figure given to me is that Maconochie supplied in all 1,790,000 rations, of which 98,794 contained Woolwich pemmican. That is the original supply.

173. Then 365,600 were replaced. I understand you supplied some of the pemmican from Woolwich?—Yes.

174. Do you know what the quantity was in regard to the rations replaced?—231,498.

175. What does the word "subsequently" as used in the third line of the paragraph mean? What time had elapsed before these other rations were found to be unsound. You will observe it says: "Many of these were subsequently found to be unsound"?—The subsequent investigations were not concluded until April 1904. May I ask which lot do you mean?

176. I am dealing with the replaced ones. You will see it says: "Of this number, 365,600 were replaced by the contractor, but many of these were subsequently found to be unsound." My question was as to the length of time that elapsed before they were found to be unsound?—They were replaced between December 1901 and May 1902 and they were found to be generally unsound in July 1903.

177. A little over six months after they were replaced?—No, it would be longer than that. They were replaced between December 1901 and May 1902 and it was in July 1903 that they were found to be generally unsound.

Friday, 31st March 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Blakc.
Mr Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Goddard

Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., and Mr. H. J. GINSON, C.B.,
called in; and Examined.

ARMY APPROPRIATION ACCOUNT, 1903-1904.

STORE ACCOUNTS OF THE ARMY.

Sir GUY D. A. FLEETWOOD WILSON, C.B., called in; and Examined.

Chairman.

178. It has been suggested by Mr. Blake that it would be a very good thing if the evidence of Sir William Butler's Committee could be printed now, *de die in diem*, as they take their evidence, because if it is not done till after the closing of the evidence and the framing of the Report, it will take a very considerable time to print, and there will be great delay?—I think that has been done.

179. (To Mr. Chalmers.) Do you see any objection on the part of the Treasury to that being done?—I will undertake to get over every difficulty that can be surmounted in order to carry out the Committee's wish. (Sir Guy Fleetwood Wilson.) It will be printed at the War Office in the usual course. If it is not being done, I will see it is done at once.

Mr. Blake.

180. I judge it is not being done at present, because Sir William Butler mentioned that there were delays owing to the typewriting of the evidence; he did not speak of its being printed at all?—We will have it printed in the War Office at once.

O.S.

Mr. Cohen.

181. It will be within your recollection that last Friday you promised to put in a copy of the War Office letter in reply to the Treasury letter, printed on page 178, in which they ask to be furnished with a brief summary of all losses incurred with rations in connection with the war?—Yes, I have brought a copy of the War Office letter with me, and I hand it in. (*The same was handed in, vide Appendix.*)

Chairman.

182. Do you wish to correct your evidence in regard to the answers you gave to Sir Brampton Gurdon at the bottom of page 14?—Yes, although I corrected that later on.

183. If you refer to your answer to Question 165, I see you corrected it there; I think that is sufficiently clear?—If you are satisfied that I made it clear that will perhaps be sufficient. I went somewhat wrong on the point of the proportion of pemmican issued from Woolwich. I can give the exact figures if you like.

184. I understand it as it is here?—If you are satisfied with the correction I will leave it there.

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185. I think

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.**Chairman*—continued.

185. I think that is quite clear?—The only other point in my evidence last week which I would like to make clear, as I do not think I made it sufficiently clear, is that it was under protest that Mr. Maconochie agreed to replace these rations and to take the various steps he has taken to meet us as regards paying up the money and so forth. I rather conveyed the impression that he had no objection to all this. I ought to make it clear that he objected, and has done what he has done under protest. He has not admitted his liability, although he has acquiesced in what he has been asked to do. It is fair to him that I should make that quite clear.

186. You mean as regards the settlement of his claim?—As regards his replacing the stores, and also the payment of money as a settlement in full discharge of our claim against him. I am afraid last time I rather created the impression that he had not objected—he did object.

187. You are referring, I take it, to the answer you gave to Sir Frederick Banbury at Question 141?—Yes.

CONDEMNATIONS OF RATIONS AT HOME.

Chairman.

188. As I understand you now, in regard to the rations alluded to in paragraph 17, supplied by Messrs. Maconochie, no part of the original issue of 497,125 contained Woolwich pemmican?—Yes, some of it did. That is one point I wish to correct in the evidence I gave last week. The issues of pemmican from Woolwich were as follows: We issued enough pemmican to make 98,794 rations, under the original contracts. The main issue of pemmican was in regard to the 497,125 replaced rations.

189. But the number replaced is stated in paragraph 17 to be 365,600?—Yes, because there is a balance not yet replaced, but the claim we made was for 497,125. We issued enough pemmican to make 231,498 rations out of the 365,000 which were replaced.

Sir Robert Mowbray.

190. That is what you referred to last week at Question 149?—That is where I went wrong in my evidence last week.

Chairman.

191. But there remains a difference of more than 200,000 rations which could not have had Woolwich pemmican in them, but which still were condemned?—No, taking the 365,600 that were replaced, the difference is 134,102. That is the very point which I wanted to make clear today, as to which I made a mistake last time, to speak quite frankly.

192. Those rations were not exposed to any rough treatment, because they were condemned at home?—Yes, the 497,125 rations were re-

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Condemnation of Rations at Home—*continued.**Chairman*—continued.

tained at home—362,552 rations were at Woolwich and 134,860 were at home stations.

193. How long had they been in store before they were condemned?—They were part of rations which were issued from between December 1889 and May 1900. I can give you the exact number of the rations, and the dates and the prices, if you wish to have them.

194. What I wanted to know is how long they were in store before they were condemned—how long had they been kept?—They were delivered between December 1899 and May 1900, and they were first found to be defective in October, 1901.

195. Then they had not been in store for two years, for which time Messrs. Maconochie contracted that they should remain good?—No.

196. Therefore Messrs. Maconochie cannot go off upon that plea?—No, I do not think they can. You see we got the first rations quite at the end of 1899, and we first found fault with them in October, 1901.

197. Would the sending in of these bad rations be likely to entail the dismissal of Messrs. Maconochie from the contractors' list?—The rations were presumably good when we took them in, because they were inspected, and Mr. Maconochie's factory was inspected repeatedly during the time he was supplying. The difficulty in dealing with this case as an ordinary normal case of failure on the part of the contractor is that there are features in it which are a little bit outside the normal, and he would naturally plead those features in extenuation (if I may use the term) of the result. In the first place, we asked him to produce these emergency rations. We were in a difficulty, and the Director of Contracts sent for him and asked him whether he could produce these emergency rations. It was a new issue; it was stuff which had never been tried, I think, under climatic conditions such as these.

198. But these are rations at home?—Yes, that I am aware of. They were rations at home, but, of course, they were meant for use abroad. We were not really well acquainted with this class of rations. Mr. Maconochie said he would do his best to provide us with what we wanted. Of course, this is long before the case came before me at all; I am giving you, to the best of my ability, the information I have been able to obtain. Then came this difficulty. He had to accept a form of tender in which he gave a guarantee that these would last two years. His account is that he represented to the then Director of Contracts, who has retired, that he could not undertake to give the guarantee in regard to these rations which he had had no experience of as regards manufacture, and in regard to which we ourselves had not much experience as to their keeping qualities. His account is that the Director of Contracts told him that it was more a matter of formality than anything else: The Director of Contracts' account does not tally with Mr. Maconochie's; but that some sort of conversation

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.
Condemnation of Rations at Home—*continued.**Chairman—continued.*

conversation on that point did arise I am satisfied is the case. Nevertheless Mr. Maconochie did sign these tender forms on which this warranty was given. When it came to dealing with the question whether or not he had kept to his conditions, his argument has always been that he was distinctly given to understand that it was a formality, that it was printed in these forms which were being used, but that every consideration would be given to the representations he then made. What actually was the conversation that took place I am not in a position to tell the Committee. What I can tell the Committee is that the account given by Mr. Maconochie differs from that given by Sir Alfred Major, the late Director of Contracts. That is the special feature which attaches to this case, and when you ask me whether this would have been sufficient to remove him from the list of contractors as a punitive measure, I think the only answer I can give is that it would be considered by other people than myself, and every feature in the case would have to be considered.

199. Have you ever taken the advice of the Law Officers of the Crown as to whether he could be held to his contract?—Twice.

200. What is their opinion?—The opinion of the Law Officers was that we had a weak case.

Mr. Blake.

201. Do you mean as to the English rations, or the South African rations?—As to both.

Chairman.

202. Apparently, according to paragraph 17 Mr. Maconochie replaced these 365,600 rations without any protest?—I was under that impression when I gave evidence last Friday, but I have since been through all these very voluminous papers, and I do not think it can be said that Mr. Maconochie did not enter a protest.

203. But he did not charge for them additionally?—No; he replaced the rations that had been condemned, to that extent.

204. Then with regard to the last sub-paragraph of paragraph 17, can you tell me whether this claim against the contractor has been settled; or should I put the question to Mr. Chalmers?—I think I can perhaps answer the question; I am not sure that the information has yet reached the Treasury. The claim in regard to this particular case (we are dealing now with the emergency rations only) is one which first came before me, as Financial Officer, very late. I had not been in touch with this case at all until September last year. Then I found there was an offer before us of 500*l.* and replacement of 24,000 rations in full satisfaction to the claim we considered we had against Mr. Maconochie. I felt it my duty to reopen the case and to represent that I thought that that was an inadequate amount. That led to a number of communications, mainly verbal, passing between the Financial Secretary of the

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ARMY APPROPRIATION ACCOUNT, 1903-1904.
Condemnation of Rations at Home—*continued.**Chairman—continued.*

War Office and myself and Mr. Maconochie. The outcome of those interviews was that Mr. Maconochie said he was prepared, if pressed, to replace the balance under the contracts. His offer was to give us 500*l.*, and replace 24,000 rations. I did not think that was satisfactory or sufficient as an offer in place of the 131,525 rations which was the balance. He then represented that it would pay him better to replace the 131,525 rations than to make a heavy money payment. The Financial Secretary and myself were then face to face with this: that we might, as the outcome of this, find ourselves in possession of a very large quantity of rations which we would not feel ourselves justified in issuing to the troops as doubt had been thrown upon them—in fact, this class of ration has been given up. It appeared to me to be better business to try and get hard cash. I represented to the Treasury, that, after a great deal of what I may call argument with Mr. Maconochie, I had got him to agree to pay us 2,500*l.*, which was a very considerable sum. The Treasury naturally wished to be quite satisfied that we could do no more, and the case was again referred to the Law Officers of the Crown. The outcome of the further inquiries was that the Treasury agreed it would be reasonable to accept this money payment, and that it would be better to have money than to have rations which we could only keep and really only destroy eventually, and I am glad to inform the Committee that this morning I have received a cheque from Mr. Maconochie for 2,500*l.*

205. Can you give us any idea what proportion of the rations that would represent?—131,525 rations according to the cost at Woolwich, at Woolwich prices, would represent 5,000*l.* But it must be remembered, in considering this deal, that it was only the pemmican end of the ration, so far as we knew, that was in doubt. There might be a great number of the rations in which the cocoa end would be quite sound, and it was obvious that Messrs. Maconochie, having a great factory, and workpeople and all that, could do it a great deal cheaper, probably, than it could be done at Woolwich. Therefore, putting it at half price, appeared to me it was really as much as we could expect to get; and I am sure it was quite as much as we were likely to get. However, I have now put in our claim for the emergency rations themselves, so that we may get something out of them. At all events, I consider they are our rations, and we shall get them back.

206. That is another question, is it not?—No, it is in regard to the same rations—what I mean is, that whatever is in these 131,525 rations will be ours over and above the money we have got.

Mr. Blake.

207. Will you explain that last statement a little further?—The 131,525 rations are now with Mr. Maconochie. They have not been replaced, but they were sent to him to replace.

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Condemnation of Rations at Home—*continued*Mr. *Blake*—*continued*.

208. Was he going to give you the 2,500*l.* and the 131,525 rations?—Yes. We have got the 2,500*l.*, and I do not think there is much doubt we shall get the rations back as well.

Mr. *Goddard*.

209. Was there no clear understanding that the 2,500*l.* was in lieu of the 131,525 rations?—The 2,500*l.* is in lieu of replacing the 131,525 rations.

210. Then he does not have to replace them?—No.

211. Then what do you mean as to getting back the rations?—I mean getting back the old rations, that are doubtful.

212. In the hope that the cocoa end of the tins may be of some use?—Yes, and the cases will be worth something.

Chairman.

213. Do you attribute any of the damage to these rations to the way they were packed; has that come before you at all?—I do not think it has been ever contended that they were subjected to any improper treatment at Woolwich. I do not think the question of packing or treatment of any sort comes into this at all.

Sir *Robert Mowbray*.

214. Was this the first experience you had ever had of these emergency rations?—On a large scale, I may say it was. We used to have a small supply of emergency rations, and issue them at manœuvres at home when troops were out for a week or so. They are not rations that are very palatable, or at any rate not preferable to fresh meat.

215. Do you know whether you used them in the Egyptian Campaign?—I should think they were subsequent to that. The small quantity that we required we made ourselves at Woolwich, and did not buy from the trade. It was when we had this very large requirement for the war in South Africa, that we went outside Woolwich, which was not able to produce the quantity we required.

216. Do I understand that you had had no previous experience sufficient to guide you in fixing the terms of the contract?—I should be disposed to think we were asking for what I doubt whether you will get, which is an emergency ration which will last a considerable period of time. We have not got it yet.

Mr. *Yerburgh*.

217. May I ask whether you are dealing now with the particular material that you supply, that is, pemmican, or whether you are dealing with the method in which the particular material is packed; because the two things are quite different?—I am not dealing with any technical feature, because I am not competent to do so, but I understand pemmican is preserved meat, which is put into one end of the tin and closed up, and the cocoa is put into the other end of the tin, and closed up.

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Condemnation of Rations at Home—*continued*.Mr. *Yerburgh*—*continued*.

218. The pemmican is lean beef, treated in a certain way, smoked, I believe. What I want to know is this: When you spoke about Woolwich just now, when you supplied the rations from Woolwich did you do the packing of the pemmican as well as supply the pemmican, or was the packing done by the contractor?—I think the pemmican always came from Australia, or elsewhere, and we did the packing. That is what we did at Woolwich. I do not think we have ever made what is known as pemmican in this country.

219. When you did the packing at Woolwich, did you find that these rations went bad with your packing?—I do not think we kept them very long. We had small supplies and a quick turnover. We never kept any large store of these emergency rations.

220. I do not know whether you are aware that the pemmican which has been used in Arctic expeditions has kept good for a very long period of time?—I dare say it would.

221. I do not know whether you are aware that under the process which is applied to pemmican, it is generally understood it is relieved from all possibility of microbes, the air is extracted from the tin, which is hermetically sealed, and it is impossible for it to go bad?—I cannot do more than tell you what I have been told; I cannot go into the merits or demerits of the particular ration; I can only deal with the negotiations which have been the outcome of these rations going bad. They appear to have satisfied our inspectors, or they would not have been taken on charge. A large proportion of them—at least a small proportion of the original contract, and a large proportion of the replacement—was made with pemmican supplied by us. From that fact, of course, you are free to make such deductions as you think fit. It may be the packing, it may be the stuff, that was wrong. I could not answer as to that.

Sir *Robert Mowbray*.

222. You have told us that certain verbal communications passed between Messrs. Maconochie and the Director of Army Contracts. Is there any documentary evidence at all with regard to the matter?—There is a large collection of documents and correspondence between the office and Mr. Maconochie, but I do not think the point of the warranty has been much dealt with there. The fact is, Mr. Maconochie was told to go ahead. We wanted these emergency rations very badly, and the Director of Contracts told him to go on pending the formal signing of his form of contract.

223. I may take it from you, then, that so far as any conflict arises between Mr. Maconochie and the Director of Army Contracts there is no documentary evidence which throws any light upon that particular point?—I have not been able to get more than this: that documents exist which contain that clause, which are signed by Mr. Maconochie. It is in regard to this signature, so to speak, that the question arises. Mr. Maconochie

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Condemnation of Rations at Home—*continued.*Sir Robert Mowbray—*continued.*

Maconochie says that he was induced to sign those forms because he was told it was a mere formality. Sir Alfred Major is not prepared to admit the accuracy of that statement.

224. That I quite understand?—There is no documentary evidence in the sense of Mr. Maconochie having had a written release, which I think is what you mean, or anything of that sort.

225. I did not mean quite so much as that, but whether the question was ever raised in correspondence?—It was, repeatedly, and he pleaded that as a very strong point in his favour.

226. You mean in correspondence since this question was raised?—Yes.

227. Is there anything in the correspondence at the time the contract was made?—No, I do not think so; I think the question would not have arisen till those rations were found fault with. There is nothing at the time.

228. At the same time, if Mr. Maconochie had raised the point otherwise than in verbal communications, there would have been some reference to it in the correspondence?—Yes. I have not been able to find anything in the nature of a release. I do not mean a legal release, but anything relieving him of that obligation.

Mr. Goddard.

229. You said that when these rations were taken in they were presumably in good condition?—Certainly. We must assume that, because they would have been rejected on inspection otherwise.

230. I understand you to say they were inspected. What was the nature of that inspection? Were they opened and tested in the same way as they were tested afterwards?—They would be tested. Of course, every ration would not be opened; they would take a test examination of them all—they would pick out a certain number and test them as one would in civil life.

231. I do not suggest they were all examined, for even in the case of these condemned ones I do not suppose they were all examined?—No, I should think not.

232. I suppose you took samples and examined them?—We found these rations were either gone or going bad.

233. What I want to get at is this: Was that first inspection of as thorough a character as it was subsequently, when they were condemned?—I cannot tell you.

234. For instance, was there a chemical analysis made?—I could find out, if you wish, and tell you exactly what process was gone through as regards inspection. I cannot say more at present than to say that they were examined in the way in which it is usual to examine that class of supplies.

235. The point I want to get at is this: I can understand there might be an inspection of weight, for instance, or an inspection by opening

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Condemnation of Rations at Home—*continued.*Mr. Goddard—*continued.*

one sample and smelling it—a very superficial kind of inspection, and evidently quite inadequate considering the nature of the stuff to be inspected?—I think that would be almost assuming that our inspecting officers under the Quartermaster-General would not be doing their duty properly.

236. I should not wish to suggest that, but it would be interesting to know what they understood their duty to be?—I think you may take it that in all food supplies there is very much more than merely a superficial examination. Would you like me to find out exactly what was done?

237. I do not think I need trouble you to go further. Now, in regard to the matter of the verbal negotiation between Mr. Maconochie and the Director of Contracts prior to the making of the contract, the Director of Contracts has now retired, but I think I understood you to say that you had all the evidence he could give you on the subject?—Yes.

238. The fact that he has retired has not deprived you of any evidence?—No. He has only recently retired. Mr. Gibson has just told me that Sir Alfred Major wishes the Committee to be informed that he is quite at their service if they would like him to come and give evidence on this matter. But I think the Committee will find it is one of those cases where each man adheres to his own statement. It is a very difficult thing to get at the exact facts after a lapse of time; the interests are conflicting, and each man holds to his own view. But I wish to make it quite clear that Sir Alfred Major does not conform to the statement or the contention put forward by Mr. Maconochie. He is prepared to come before you and repeat what I say.

239. There is one other question I was going to ask with regard to the question the Chairman put. You told us you took the Law Officers' opinion upon the case. Now that you have finally settled the case (I suppose that is correct now) would there be any objection to produce the case and the opinion upon it?—I do not think that as a rule the Law Officers are at all in favour of allowing their Opinions to be made public. They would certainly have to be consulted, and so would the Secretary of State.

240. It is possible a case may be so presented that it is not in favour of a prosecution?—I think you may take it from me that certainly the desire of the War Department has been to get all we could, and we presented this case, I think, as fairly and squarely as it was possible to do. And not only that, but every single paper in connection with this case has been in the hands of the Law Officers.

Chairman.

241. Can we have the case that was submitted to the Law Officers?—Personally, of course, I have not the slightest objection, but I could not say straight off without asking my superiors whether

whether

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whether there is any objection to that being done. I think to do it justice, the case, as stated, would have to be supported by the whole of the documents in connection with the case. If it is your wish I should do so, I will ask the Secretary of State and the Army Council if there is any objection.

242. I think we must take from you, as representing the War Department, what the case was. If we were to go into the whole case, and have all the documents, the inquiry would never end?—Personally I cannot see any objection to the case being given you, but I cannot answer straight off without taking instructions from the Secretary of State and the Army Council.

Mr. Goddard.

243. I am simply asking the question in view of the serious gravity of the case; because sometimes when there is only a remote chance of a conviction, it may be desirable, in the interests of the Public Service, to have a prosecution; and therefore one would like to know how the case was put?—Personally, I should be very glad that the Committee should see every document in the case.

Chairman.

244. You summed it up by saying that the opinion of the Law Officers was that the case was a weak one?—Yes.

Mr. Pym.

245. Does the figure you mentioned, of 131,000 rations, represent the difference between the 365,600 rations which were replaced and the 231,498 in which the pemmican was supplied by the War Office?—It is 131,000 out of the total of 497,000.

246. It is upon that that you recovered the 2,500*l.*, and are desirous of recovering the rations as well?—Yes, because we had no case, or a very poor case, when he was using our pemmican. But in the case of the balance of 134,102, it had not been touched, though they had been condemned. The question was whether we should get the money for those rations or replacement for them.

247. Is it not correct to say that Messrs. Maconochie's business is not that of stuffing the tins with pemmican, but making the tins?—I believe they are described as packers, but, of course, we dealt with them very largely for meat and vegetable rations, apart from emergency rations.

248. This particular business of supplying these tins with pemmican was not their business before?—They had never made these emergency rations, but they had made meat and vegetable rations.

249. So that the emergency rations was a new business to them?—The emergency rations was a new business to them.

Mr. Pym—continued.

250. Is it correct to say that you were obliged to go to them because you had got to get these supplies as quickly as possible?—The Director of Contracts informed me that he had extreme difficulty in meeting these heavy demands suddenly, and he sent to Messrs. Maconochie as a firm likely to be able to supply them.

251. And they undertook to do it under the arrangement that was made?—Yes, they undertook to do it. In point of fact I think, anterior to all this, they had informed the Contract Branch that it was a class of business they would be prepared to embark on if required.

Mr. Herbert Lewis.

252. Do you know that Messrs. Maconochie were the actual manufacturers of the emergency rations—that they did the work themselves?—I do not know, except that I have been informed that our inspectors repeatedly examined the premises and were satisfied that they were at work on these rations, and that it was satisfactory in other respects. I cannot answer the question from my own knowledge.

Mr. Cohen.

253. I think I understood you to say that Mr. Maconochie said he would not have signed the contract had it not been for the conversation you referred to; is that correct?—He took exception to the two years' warranty, as applying to an article with which he was not conversant, and therefore he was very reluctant to give the guarantee of two years.

254. And he would not have given that guarantee but for the conversation?—That is his account.

255. That is what he says?—That is what he says.

256. That does not appear in writing in any communication that has been made?—No.

257. He would not have signed but for this conversation?—He represents he considered it was understood that it was not to stand rigidly as a guarantee.

258. He understood that?—That is his contention.

259. He does not assert that there was any compliance with that, that it was not to stand rigidly?—Yes, he does.

260. In conversation?—Yes, that is his point.

261. But he signed the contract after the conversation?—Yes.

Chairman.

262. Sir Alfred Major does not admit what he said?—No. Mr. Maconochie signed subsequent contracts too.

Mr. Cohen.

263. Were these allegations about the conversation submitted to the Law Officers?—Yes, the whole case.

264. As

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264. As well as the documents?—Every single circumstance connected with the case, I may honestly assure the Committee, was placed before the Law Officers, and every question that they asked was fully answered, and every document they called for was furnished.

265. No doubt every document was, but, from a legal point of view, the conversation, if there is no record, is scarcely material, is it?—I am not a lawyer; I am afraid I cannot answer that question.

Mr. Blake.

266. As I understand, you find a very great difficulty in arriving at what the truth of this matter is with regard to this discussion between Mr. Maconochie and Sir Alfred Major?—My own tendency is to accept implicitly the word of my colleague, but the personal element really does not arise. You have got directly conflicting statements.

267. Upon all these matters you have really no knowledge yourself?—I had no knowledge whatever of the occurrence at the time.

268. All you have been conveying to the Committee as to what happened at the time, at a period when rations were not bad, is before you had anything to do with the matter?—I did not come into it till later.

269. Till after the rations were found to be bad, you had no knowledge whatever of the matter?—I have seen and spoken, of course, to both the individuals concerned, but personally I have no knowledge.

270. The persons that would have knowledge were the persons concerned in the transaction at the time?—The two people, and, so far as I know, the only two people who can say anything in regard to the conversation which took place as to this warranty are Mr. Maconochie himself and Sir Alfred Major.

271. Those are the two persons who engaged in the conversation as to which there is difference of opinion or recollection?—Yes.

272. What you have been endeavouring to convey to us is the impression that has been conveyed to your mind, or the version that each person gives of what transpired?—That is so.

273. That impression has been arrived at by you from writings they have sent in or from verbal conversations?—From both.

274. There is a writing of Mr. Maconochie stating his view, and a writing of Sir Alfred Major stating his view, is there?—Yes, and all of those went before the Law Officers.

275. Never mind about the Law Officers for the moment. I want to find what materials there are; I gather there are written materials both from Mr. Maconochie and Sir Alfred Major?—Certainly.

276. Besides that, you have had personal conversations with them both?—I had interviews twice with Mr. Maconochie in the presence of Mr. Bromley Davenport, and once, when Mr. Bromley

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Davenport was obliged to go away, alone, and fully discussed the question with him.

277. And also interviews with Sir Alfred Major?—Frequently.

278. As to the impression you have briefly conveyed to us to-day, I am not quite clear what the effect is, but whatever the effect is, that is the impression you have derived from those writings and verbal conversations?—Certainly.

279. If we are called upon to come to a conclusion upon that subject it would perhaps be more satisfactory that we should see the writings and see the men who know?—To see the writing would be to put in the whole of the papers, the War Office documents bearing on this question. It would certainly take a very long time for you to go through them, and it would be impossible for you to go through them without the assistance of an officer of the Department to explain to you exactly how the thing went.

280. Do I understand that the writing that relate to the representation that Mr. Maconochie makes as to the terms upon which he signed the guarantee are very voluminous?—There is one letter which perhaps I might give. I do not know whether you wish me to read it.

281. I asked you a question which you have not answered. I asked simply whether the writings of Mr. Maconochie and the writings of Sir Alfred Major, directed to this point of the conversation upon which the guarantee was signed, were voluminous. I was not asking what they were?—I was about to endeavour to answer your question by saying that I have here three minutes by Sir Alfred Major bearing upon that very point. They are not very voluminous, (*holding up some papers.*)

282. I see they are not very voluminous. Can you tell me how it stands with regard to Mr. Maconochie's writings?—Mr. Maconochie, I presume, alluded to this in nearly every letter he had written on the subject. That is the dossier, if I may so call it. This is the one and that is the other. (*holding up two sets of papers.*)

283. That is Mr. Maconochie's side, and the other is Sir Alfred Major's side, so to speak?—The whole correspondence can be put in if it is wished.

284. That is all in writing that bears upon this particular phase of the transaction. Then as regards the conversations, are they represented to have been voluminous also?—I am afraid I cannot say if they were voluminous or not, because I was not present.

285. At the time at which it was proposed to arrange for the preparation of these emergency rations the business, as I understand you, was rather experimental?—I think that the making of these emergency rations may be described as being a new departure on Maconochie's part.

286. But I thought you went a little further, and said it was rather experimental so far as the War Department was concerned; that it was a new thing?—

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thing?—We had made emergency rations, but upon a small scale, at Woolwich. I think it was certainly a new departure to have these very large quantities made in a hurry, and made from pemmican as it could best be obtained. Previously to this we had had pemmican prepared specially for us in Australia. We only required moderate quantities, and we were satisfied we were getting the very best pemmican, and we made it ourselves in small quantities into emergency rations. When I said this was an experimental arrangement, I meant it was experimental in the sense that pemmican had to be got as best it could, and rapidly made into emergency rations, with, perhaps, less of the safeguards than we had been able to obtain in our own manufacture at Woolwich previously.

287. Even as to those details you speak only from what you have been informed; you were not personally cognisant of the difficulties or the particular circumstances that attended the arrangement?—I am speaking with regard to this just as I do with regard to every case that this Committee does me the honour to examine me upon; I have to make myself acquainted with the facts of the case, and endeavour to do so to the best of my ability; but I must take the evidence which is to be obtained from the officers concerned, and the documents which are in my possession.

288. All I meant to say was that you occupy a special position of difficulty for yourself, and for the Office, and for us, owing to the circumstance that you were not in the discharge of your present functions when these transactions were going on; it is past history which you have been endeavouring to make yourself acquainted with?—That applies to most of the difficulties which we have to face now. It is back work.

289. I appreciate that; that was what I was alluding to?—Quite so.

290. Was the experience of the War Office in regard to the emergency rations such that they made any alteration on this occasion in the plan for providing them, in regard to either the material, or the method of preparation, or of enclosure?—I do not think there was any change except that we required a very large number, and had to take such pemmican as could be bought. In previous supplies the pemmican had been specially prepared for us.

291. A very considerable number of these rations referred to in paragraph 17 were from your own pemmican, which was of the character referred to—specially supplied for you?—The pemmican which we supplied in the case of the original rations was a relatively small quantity, for 98,794 rations. That I have no doubt was our own, what I may term specially selected pemmican. But then we issued pemmican for no less than 231,498 rations, which were the replaced rations. It is in regard to those that I am not quite certain that the pemmican was

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quite so carefully selected as it was when we made our own.

292. Probably there is somebody who knows, and who can speak about that pemmican still in existence?—The pemmican that was War Office pemmican was only in the 98,794 rations, and therefore the point would not arise really as regards the first quantity that went wrong; but it was the replacement that the pemmican that was not so carefully selected got into.

293. There are persons who can speak as to that pemmican, I suppose?—I do not think you can get more than that information—I have not been able to obtain it.

294. You do not know whether there are persons who know about that pemmican?—Yes, I have told you what I have heard at first hand; I have given you such information as I have had upon the subject.

295. Apart from the material which Mr. Maconochie was given to operate upon, has any question been raised at all as to the packing and the closing of the tins?—There was a question in the House last night about the soldering and non-soldering—is that what you mean?

296. No, I mean, has the question arisen in the Office?—I do not think any question arose in regard to these rations until we found they were going wrong, in October, 1901. They had been passed and taken on store, and it was only then that any question arose at all.

297. As you have referred to soldering and non-soldering, I have understood, without your saying it expressly, that these were soldered goods that were supplied?—These would be all soldered, closed goods.

298. That is what I understood, therefore I did not suppose that the question of the patent arrangement came up just now. I think I understood you to say that it is a doubtful question how long emergency rations will last?—Well, all I can tell you is that the Military Authorities have decided to give up this emergency ration.

299. That particular ration?—Yes.

300. I think I understood you to say that they were still on the search for something more satisfactory?—I believe they are.

301. So that, so far as the British Army is concerned, this experimental thing has to be proved still?—Not exactly, because the emergency rations in small quantities, and fairly quickly consumed, did not, I believe, give dissatisfaction.

302. I rather meant in the conditions of a long campaign—where you were wanting them in war?—Yes.

303. Of course, the conditions of manœuvres are in many respects different from actual war?—No doubt.

304. This morning you say, this matter with Mr. Maconochie has been adjusted by the payment of 2,500l.?—Yes.

305. With the exception that there is now a question

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a question whether Mr. Maconochie is bound to return the 131,000 rations?—We have put in a claim for them—they are our goods.

306. As to that I do not ask you anything about it, because you say you have put in a claim for them, your view of the arrangement being that this was in lieu of replacement, you getting back the goods, and his view possibly being that this was in lieu of replacement of any goods?—I do not think that he will object to returning them.

307. Probably not?—I think not.

Sir Frederick Banbury.

308. Could you tell me what you paid altogether to Mr. Maconochie for the 497,125 rations?—Do you mean what he got over the emergency rations from first to last?

309. No, I mean what you paid him for the 497,125 rations that were delivered in England, and kept in England?—The average per ration was 1s. 4d.

310. That is about 32,000l., is it not, in round figures? Now, what has happened to those 497,125 rations?—Do you mean the ones that went bad?

311. The whole of the 497,000 were condemned, were they not?—Yes, the 497,000 are the rations that were condemned; of those 365,600 were replaced.

312. You paid 32,000l., and you got back 365,600 rations?—When the 497,000 were found to be bad, Mr. Maconochie replaced 365,600.

313. What has happened to them?—Some went to South Africa, and some, I think, are still at home.

314. Have you any idea of how many went to South Africa?—143,000.

315. Were they used in South Africa?—It is difficult to know; it is difficult to follow the life of particular rations. Some of them may have been used, and many of them may have been amongst the destroyed rations in South Africa.

316. Why did you send 143,000 to South Africa when you believed they were not good?—They went before we knew they were bad.

317. Did you condemn 497,000?—Yes.

318. Of those condemned, did you send 143,000 to South Africa?—No, we got 365,600 replaced.

319. I understand; the 143,000 would be out of the 365,600?—Yes.

320. I want to find out the value you have received for the 497,000. As far as I can make out you have paid 32,000l.—you have received 2,500l., and have sent 143,000 rations to South Africa?—No, we got 365,000 replaced.

321. But some of those you sent back again?—The 497,000 went bad, and were replaced before the 143,000 went to South Africa. I cannot trace what happened to all the 365,600. Some went to South Africa and some have remained at home.

322. What became of the 222,600 that remained at home—the balance?—The balance of 0.3.

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the replacement, viz., 222,600, were found between May and July, 1903, to be generally unsound.

323. Then we come again to this: Out of the 497,000 for which we paid 32,000l., 143,000 went to South Africa?—Yes.

324. And the balance were unsound?—They were afterwards found to be unsound.

325. What has happened to the balance?—They have been condemned. The pemmican difficulty is what applied to these. There was no means of distinguishing which tins contained War Office pemmican, and that is why we could not follow it any further.

326. Then the main result is that you have paid 32,000l., and you have got back 2,500l.—that is 29,500l. net, and for that 29,500l. you have got 143,000 rations which went to South Africa?—I am afraid that is incontrovertible.

327. I understand one of the reasons that Mr. Maconochie alleges in excuse of the bad rations is that he did not understand, according to the contract, that they were to be kept for two years?—That is so.

328. What is the object of a contract?—I am not for one moment prepared to defend his contention on that question.

329. I thought, as you mentioned it, perhaps you were?—I am honestly trying to do my duty by Mr. Maconochie as well as by myself—I do not want to say one word that would appear to be either for or against him; but I must not be taken as accepting his contention, or as attaching value to his contention.

330. Is it not often the case that when a contractor enters into a contract which he cannot fulfil, he tries to find some excuse for not fulfilling the contract?—That is a general question which I think I had better not answer.

331. Have you any opinion of your own as to the reason for the rations going bad?—I would rather not give any personal opinion on the matter. As Accounting Officer I am really only called upon to do my best to furnish you with all the information that you ask for; but I do not think that a personal opinion as to why a particular ration did not last or did last would be of any value to you.

332. Is it not the duty of the War Office to find out why these things went wrong, or endeavour to find out why they went wrong?—Yes, they have done so.

333. What is the conclusion they have come to?—The conclusion they have come to, I know, in regard to the pemmican, is that it is not a good thing to send, to a tropical climate at any rate, in the form of an emergency ration.

334. This was not sent to a tropical climate?—No, but I think the conclusion that has been come to is that it is practically impossible to prove why these rations did go wrong.

335. That is not much of a conclusion to come to. Is it possible that the soldering was done badly—that the tins were not air-tight?—I have not

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not heard any suggestion that the soldering was badly done.

336. To Mr. Chalmers.) Might I ask are you satisfied with this sum of 2,500*l.* which has been paid?—In view of the Law Officers' opinions, the Treasury were satisfied that that was the best bargain, and therefore they sanctioned it.

Mr. Yerburgh.

337. (To Sir Guy Fleetwood Wilson.) One question upon the matter of the pemmican that the War Office supplied. I understand they got the pemmican in a hurry. I take it that the pemmican would be inspected by officials on behalf of the War Office?—Yes.

338. I presume they would pass it before it was sent on to Messrs. Maconochie?—Yes. Such pemmican as we bought, I am informed, we were satisfied was good. It went through the usual inspection.

339. Therefore, as a matter of fact, we may take it that in the view of the War Office the pemmican supplied to Messrs. Maconochie was good pemmican?—Yes; we would not have passed it or let them have it if we had not believed it to be perfectly good. The difficulty is to prove it. We have never admitted that our pemmican was bad, and we do not admit it.

340. As a matter of fact, your inspecting officials who were responsible for the pemmican certified that it was good pemmican?—Yes, they were satisfied.

341. Therefore it passed into Messrs. Maconochie's hands with the certificate of the War Office that it was good?—Yes.

342. I understand you to say that the War Office had come to the conclusion that pemmican was not suitable for use in a tropical climate, whether it might be suitable or not for use in a colder climate?—That is subsequently, of course, to this question. They have come to that conclusion now.

343. Have they thought it desirable to try any experiments?—I think they are experimenting constantly for an emergency ration.

344. Have they thought it desirable to put up some rations in this way, and to send them to a tropical climate?—I cannot tell exactly what steps they have taken, but I have not the slightest doubt that the Supply Department would take every step of that character.

Sir Frederick Banbury.

345. The cost of the 143,000 rations that were sent to South Africa, which may or may not have been good, appears to have been 4*s.* 3*d.* a ration?—1*s.* 4*d.* was the average cost of the rations.

346. I understand that the contract price was 1*s.* 4*d.*, but the result would be, on the figures you have given, that the rations sent to South Africa cost 4*s.* 3*d.* per ration; taking 32,000*l.* and deducting the 2,500*l.*; that is so, is it not?—It depends entirely, of course, how you put it.

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If you say it would work out to that figure, I suppose it would, under those conditions; but it is a purely fictitious calculation, if you do not mind my saying so.

Sir Brampton Gurdon.

347. The 222,000 rations that remained at home turned out bad; have you any news of the 143,000 that went to South Africa?—No, we cannot trace them; they were pooled in the large lot of rations out in South Africa.

348. There is every reason to suppose they must have been bad too?—I cannot say. I have endeavoured to explain that it is impossible for us to trace the individual rations; they may have gone bad or they may have been eaten before they went bad.

Sir Robert Mowbray.

349. Did you formulate at all in your own mind, at the War Office, what amount of claim you would have preferred against Messrs. Maconochie if the Law Officers had advised there was a good case?—We probably would have taken the usual line of saying, "You must replace the lot." If a contractor furnishes stuff which does not come up to the contract stipulations, we say, "You must replace this."

350. It would have been 365,000 rations at 1*s.* 4*d.* a ration?—It would have been in respect of whatever went wrong, if we had had no doubt as to our legal position.

Mr. Goddard.

351. Do you state that that would have been the usual practice of the War Office to make the contractor replace the goods?—The usual practice is to make the man replace the goods or find a money equivalent.

352. Yes, that makes all the difference. If the rations are supplied for a given war, and the war is over, it is clearly a dead loss to you to have them replaced—they were not supplied at the time, and it is no use your demanding them after the war?—I think the contractor has a right to replace them if he chooses to do it. I do not quite see your point.

353. If replacement is your only mode of remedying it when something goes wrong with the contract it may be a dead loss to you?—I think that it is the usual practice, is it not.

354. No. You contract to have them supplied for a certain purpose; supposing what is supplied for that purpose turns out bad, it is no use after the purpose has been served to have the goods replaced?—That is why I preferred to take 2,500*l.* in this case.

Sir Robert Mowbray.

355. The point I wanted to get at was what proportion the 2,500*l.* was to the money value which you would have claimed, had you been able to go for an action?—Of course it was very small;

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small; but you must couple that with the fact that we were out of Court over the rest. This, of course, applies only to the emergency rations. The meat and vegetable rations which were furnished by Maconochie in large numbers really did very well; they were very good. He furnished a very large number 19,000,000, meat and vegetable rations, and they were good.

Further consideration of paragraph 17 postponed.

SHORT WEIGHT OF JAM.

Chairman.

356. Since you were here last Friday the Under Secretary of State has made a statement in the House of Lords with regard to this paragraph. I will read to you what he said, and ask you if you assent to it. He said "None of the jams supplied was in tins containing only 12 ounces. Half of the supply was in tins containing 16 ounces, but the bulk was supplied in nominals—that is, in tins containing 14 or 28 ounces—1lb. or 2lb. nominals. In all cases the country received the full amount of jam paid for." Do you assent to that?—I think that is correct. I have brought, in case you wish it, our reply to the audit query on the jam case, which has only just been sent in. That would bear out what Lord Donoughmore says.

357. Is it to the same effect?—It is not in the same wording, but it is practically to the same effect.

358. Perhaps you would read it. Before you do so there is one other question I wish to put on the same point. Lord Donoughmore, as I understood, and I was present, also said (although it is not quoted in the Report I read) that the short weight of jam in these tins was occasioned, as I understand, by a sort of process of evaporation of the jam, he said sometimes the tin showed a crust, as it were, on the top, that had to be regularly cut off, and which was caused by the climate or the keeping it in the cases. Is that within your knowledge?—That is the opinion of the experts who have advised Lord Donoughmore, and it is also what I have been told—that the sugar crystallised, and that there is shortage for that reason.

359. That is the opinion of the experts, is it?—That, I understand, is the opinion that is put forward by the Quartermaster-General, who has been making very close inquiries into the whole thing.

360. That would account for what is said in the Comptroller and Auditor-General's Report that there was short weight?—That is supposed to be the reason why they were short weight.

361. Now, would you be kind enough to read the War Office answer you refer to?—The answer to Query 14, put by the Comptroller and Auditor-General is as follows: "The jam in question was stacked irrespective of brands and consignments, and could not therefore be separated according to the various contracts under

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Short Weight of Jam—*continued.*Chairman—*continued.*

which it was supplied. About six-sevenths of the supplies under contracts made by the War Office were nominal pounds, the necessary additional quantity of such tins being given to make good the full weight due under the contract when this required net weight. The large purchases made in South Africa were also nominal pounds. In either case the net weight as ascertained during the War was about 14 ounces. The reduction to 12 ounces in the case of the jam sold at Durban must be attributed to dryage. The apparent loss therefore which occurred in the case in question must be attributed partly to clerical error in taking on charge as pounds quantities which were only nominal pounds and partly to a reduction of weight due to the exposure consequent upon lack of adequate storage—a question which has been fully dealt with by the Committee which considered the condition affecting the Durban Supply Depot. No Court of Inquiry was held, as the matter was not brought to light till after the sale of the jam. A reduction of payment was effected in connection with a consignment of 100,000lbs. from New South Wales in 1901, per ss. Vinebranch. In certain other cases of apparent shortage it was shown that, although the War Office had specified net weights in the orders to the Agents-General, the offer from the Colony had only been for nominals, and only nominals could be required from them. The prices were reasonable for the quantities actually supplied. There does not, as shown by the explanation above, appear to have been any real loss calling for report to the Treasury." That I think is in accord with what Lord Donoughmore stated in the House of Lords and with the answers given to questions in the House of Commons, and is borne out by our papers.

362. (To Mr. Kempe.) When you wrote this paragraph of your Report you were not aware of these facts which have just been read out?—No, I only received this reply this morning. It is dated March 28th.

363. Have you any observations to make upon that statement?—I have had no opportunity of considering it yet. The only thing that strikes me at first sight is that the answer is a good deal based upon assumption, but of course it does not follow that the assumption is such as we should accept. I could not say whether we should have accepted the answer if we had received it in time. (Sir Guy Fleetwood Wilson.) The assumption being the shringage. (Mr. Kempe.) There are various assumptions. There were no Courts of Inquiry held. That is the main point where the assumption comes in. There was no Court of Inquiry held as to the facts when the jam was first condemned, therefore no facts have come to light. (Sir Guy Fleetwood Wilson.) The jam was never condemned, it was sold as surplus.

Mr. Herbert Lewis:

364. Do the weights you have given include

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Short Weight of Jam—*continued.*

Mr. *Herbert Lewis*—*continued.*

or exclude the weight of the tins?—That is the point—whether it is nominal weight or whether it is actual weight. In many of the cases they made up by means of the number of tins the difference in weight where it was necessary to do so—not in all cases, but in some of the cases.

365. They gave so many more tins to make up the pounds?—Yes, in other cases the terms quoted by the Colony were for nominal weight; it was a fair price.

Mr. *Pym.*

366. Were these tins always of the same form?—I do not know if they were exactly the same shape or form; I should think not. They were from a number of contractors and furnishing houses. They varied in weight. They sold them by the dozen tins. It is the practice with a great many of the contractors to sell them at a price per dozen tins.

367. It is suggested that these tins ought to hold 16 ounces, so that it looks as if they were all of the same shape. Of course, it would simplify the matter in dealing with it from the point of view of the War Office if they were of the same shape, but you do not know whether that was so?—I do not know.

Further consideration of paragraph 19 postponed.

CLOTHING IN RESERVE DEPOTS.

Chairman.

368. Now we will take the earlier paragraphs of the Report on the Store Accounts. With regard to paragraph 2. I do not quite understand why there is this large increase in the stock of clothing. You observe that this year there is 1,146,000*l.* value of clothing in store as against 815,700*l.* at the end of the previous year. Why is that?—The increases are due generally to the completion of the Mowatt programme, and the surplus stores returned from South Africa.

Mr. *Cohen.*

369. (To Mr. *Kempe.*) You refer to certain instances where the items appeared to be erroneous, and you say "Some corrections of the statements have now been made by the War Office, but in the absence of replies in certain cases I am not aware of the extent to which the accuracy of the statements is affected." Have you received those replies?—We have had replies in many cases. (Sir *Guy Fleetwood Wilson.*) We have sent in replies, I think, in every case but one. (Mr. *Kempe.*) We have had replies in many cases; I am not sure what proportion of cases; Sir *Fleetwood Wilson* says all but one.

370. Do the replies explain the discrepancies; perhaps you have not had an opportunity of looking at them yet?—I think in all cases that we

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Clothes in Reserve Depots—*continued.*

Mr. *Cohen*—*continued.*

have had we are satisfied with the explanation. The discrepancies are none of them very large. (Sir *Fleetwood Wilson.*) The only outstanding question is the non-inclusion in the stock valuation of the Weedon section of some stores which were in transit. That will be sent in as soon as we have got it ready.

STORES AND CLOTHING IN RESERVE DEPOTS IN SOUTH AFRICA.

Chairman.

371. (To Sir *Fleetwood Wilson.*) Who is responsible for these errors in accounting referred to in paragraph 4 in returning as serviceable stores afterwards found to be un-serviceable. The Comptroller and Auditor-General says, "Large quantities of stores which on the 31st March, 1904 were described as serviceable and valued as such in these returns have since been surveyed and condemned as un-serviceable"?—I might be allowed to explain that it was impossible to take stock during the war; the stocktaking was of course suspended during the war; you cannot take stock during war. Owing to the absence of full storage and the great pressure of work, it was not practicable to arrive at absolutely exact figures for goods in hand, and sift all the good from the bad and make a perfectly accurate stock return. We were most anxious to take stock as soon as possible after the war, and it was considered better to have as exact a stocktaking as the circumstances admitted, rather than wait till we could get more favourable conditions under which we could take the stock. I thought Parliament would be glad to have an approximate statement, and I have therefore given that statement to the best of my power; but I was aware that an exact valuation could hardly be given under those circumstances. Another thing must be remembered—that the progress of the executive department in getting their stores in order after the war is one which I have no power to hurry, and they very naturally wish to go carefully to work over it; and when this stocktaking was taken the best that could be done was done, in preference to waiting till the conditions were more favourable for taking a perfectly accurate one. The Committee will see in the Notes on pages 146 and 148 I have stated that the figures were only approximate.

372. Then there are other incorrect statements referred to here owing to the stores in transit being omitted?—Yes. The omission to include the stores in transit was unavoidable owing to the pressure. One could only do as much as could be done within the time.

373. However, as far as it is possible, there has been stocktaking since the war?—Yes, we are getting on. What I felt was that the first thing was to get at all events as good a stocktaking as possible, as soon as possible.

374. It

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Stores and Clothing in Reserve Depots in South Africa—*continued.*

Mr. Blake.

374. It was this or nothing?—Yes. It was not perfect, and I have indicated it would not be so, but I thought Parliament and this Committee would be anxious to get some idea of the stock-taking, the best that could be got without delay. Then we also found that some of the ledgers had been balanced, somewhat before the 31st March, and in those cases, as the pressure was so great, we accepted the balancing, not exactly on the 31st March, but perhaps a week or ten days before. That would of course cause inaccuracies. I think (if I may say so with great respect) it has been as carefully done as it was possible for us to do it under the circumstances.

CLOTHING ACCOUNTS.

Chairman.

375. Paragraph 16 relates to a matter that was referred to in the House of Commons last night. I suppose we may take it that the option given to a man on discharge was to take 13s. or a suit of clothes?—13s. in the case of a complete suit, which included a cap and a handkerchief, and somewhat less without those; but you may take it that was the sort of arrangement.

376. With your present experience I suppose you will not allow so much clothing to be kept in stock when it is evident that the men so largely prefer the 13s. to a suit of clothes?—What happened, I think, with regard to the clothing is this. Undoubtedly we were in "possession" of an abnormally large stock, which we could not get rid of, but I think if there were any mistake in regard to the provision of clothing it was attributable to the fact that they treated all the troops—300,000, or whatever it was—as of the same character. They also assumed that they would be discharged under normal conditions. Many of the soldiers coming back from South Africa were in possession of a considerable sum of money—arrear of pay. Most of them wanted to swagger about in khaki, which was perfectly natural, and as for the Colonials, they would not look at a 13s. suit; they went to Bond Street to buy their clothes when they came home, and so with the Imperial Yeomanry and so forth; they were men of a totally different calibre from the ordinary soldier. The Quartermaster-General's office had laid in a very large supply of clothing on the assumption that every soldier, or the great proportion of the soldiers, who came back from the war would take the clothing.

377. That is precisely the miscalculation he made?—Yes.

378. I think he might have taken into account the tendencies of human nature a little more accurately than he did?—It is very easy to be wise after the event. I cannot but admit that the supply is very much larger than what the requirements turned out to be.

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Clothing Accounts—*continued.*Chairman—*continued.*

379. Was the figure mentioned here of 7,000l. the total loss on the resale?—Yes.

380. (To Mr. Kempe.) With regard to this paragraph in your report, did you observe that in the House last night it was stated by the Financial Secretary that 123 firms were asked to tender; so that there was nothing wanting in that respect?—I did not see that statement. (Sir Fleetwood Wilson.) That was so. Every effort was made to get rid of these suits at the best possible price, and to extend the tenders as largely as possible. Messrs. Moses offered by far the highest price and got them. 123 tenders were sent out and only eight firms tendered.

Mr. Herbert Lewis.

381. How much does each suit cost to the War Office?—11s. 9d., except during 1900, when 12s. 9d. was paid.

Sir Robert Mowbray.

382. I see you offered some of them to the soldiers at greatly reduced prices?—The soldiers have a right to a suit if they like to take it.

383. But I am not dealing with that, I am dealing with the statement in the paragraph of the Comptroller and Auditor General's Report which says that some of the surplus stock was offered to soldiers on discharge at greatly reduced prices?—Yes.

384. Do you know what sort of proportion of these suits were disposed of in that way, and what the loss was upon that?—You mean what price they were reduced to?

385. Yes?—I think it was about 7s. to 8s.

386. Do you know how many were disposed of in that way?—Not many of them, I think. You may take it to be very few. If there had been anything like an inclination on the part of the troops to take them at a reduced price we should have got rid of them in that way.

387. I thought, perhaps, the soldier might have taken the 13s. in lieu of the suit and then bought a suit of clothes for 7s. 6d.—that would have been open to him, would it not?—It is only the reservist who gets that higher allowance.

388. It would have been open to him to do it under that arrangement, would it not?—Only to a reservist. The ordinary soldier only gets 5s. in lieu of a suit, so that it would only have applied to the reservist. If he had known that we were only going to get that low figure for them, he might have done it, but that would have been looking ahead. The fact is that the men came back full of money and they would not look at this clothing.

Sir Frederick Banbury.

389. In future, I presume, they will not give the soldiers the option?—At present the rule remains that they can take either the money or the clothes.

390. Will that remain so after this result?—We are talking of the reservists?

291. Yes.—

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Clothing Accounts—*continued.*Sir Frederick Banbury—*continued.*

391. Yes.—I do not think there is any idea of altering that rule.

392. Then the War Office do not mind losing 7,000l.?—Pardon me, the loss is because we had an excess stock. The average annual issue of these clothes to the troops at their request is about 7,000 suits a year—that is about what we should keep. The loss is attributable to the fact that we had a great many more than we really required.

393. In the event of another war have you any idea what you propose to do?—I hope we shall learn the lessons of the last war.

Sir Brampton Gordon.

394. If these suits go off at the rate of 7,000 a year, these 20,000 would have gone off in three years, would they not?—There were more than 20,000; there were 64,000 suits in the United Kingdom when we began to sell. The 20,000 suits were abnormal sizes. We had kept four or five years' supply, and of course they are kept in various sizes to fit different men. The 20,000 that were sold, I am informed, were specially selected as being either very large or very small, and consequently not very likely to be called for, except in very small numbers. There is no economy really in keeping clothing of that character a very long time; it gets moth eaten, and the storage is very dear.

395. It gets out of fashion?—Possibly; it might have had time to get back again into fashion.

EQUIPMENT AND CLOTHING ACCOUNTS.

Chairman.

396. (To Mr. Chalmers.) With regard to Paragraph 7, have the Treasury yet received the revised regulations upon the Store Accounts kept in India?—Not yet. The Treasury understands that the War Office is in communication with India. It has taken some little longer time than was expected, and the War Office intends, as I understand, to communicate later with the Treasury. (Sir Guy Fleetwood Wilson.) That is so. The real reason for the delay, to some extent at least, is that we are trying to get India to agree to a commuted rate to cover everything in the case of the native regiments, and it is not much use dealing with them until we can come to a conclusion with India on that other point. It would largely simplify the accounting and everything else if we could get a commuted rate.

ORDNANCE STORE ACCOUNTS.

Chairman.

397. Can you tell us whether any system of packing ammunition which has been alluded to by this Committee before has been arrived at?—The proposed system of packing has not been

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Ordnance Store Accounts—*continued.*Chairman—*continued.*

adopted. The Military Authorities made a very great number of experiments and trials, and it was found that the system of packing did not offer advantages sufficient to compensate for the extra cost. Also there was delay entailed in the packing. The reply to that effect has been sent to the Comptroller and Auditor General. But they are modifying the present packing-box, and the Master-General of Ordnance hopes it will be an important improvement upon the old pattern.

Mr. Cohen.

398. (To Mr. Kempe.) You had not received the reply that Sir Fleetwood Wilson speaks of at the date of the report, because you write that no reply has yet been received?—No replies had been received at that time. A reply has been since received—the 22nd February was the last reply.

399. Is it a long reply?—Not very long. (Sir Guy Fleetwood Wilson.) It is just what I have summarised.

400. I should like to know whether that reply explains about this large proportion of ammunition which turned out defective and as to which the presumption seems to be implied that it was defective when it was delivered?—There is not the slightest evidence of that, and I do not think it is fair to the Inspection Branch for me to allow that to pass. This is ammunition which was subjected to great exposure. Bulk was broken several times, in many cases on the veldt. It was ammunition which was collected from every source—some of it had even been buried. It was eventually sent home and it was not considered to be sufficiently perfect to issue to troops who had to defend their lives with it. Undoubtedly a great deal of it was not in a sound condition, but I do not think there is any evidence to show that it went out in a defective condition.

Chairman.

401. A good deal of it was re-captured ammunition?—Yes.

402. And a good deal of it had been in the soldiers' pouches?—It included all kinds; all the waste ammunition that could be found all over South Africa; some of it picked up on the ground; some had been buried by our troops when the Boers were advancing, or by the Boers on retreat.

Mr. Herbert Lewis.

403. Out of the 50,000,000 rounds it appears 13,000,000 rounds have been expended in field practice?—Yes.

404. And as to 28,000,000 rounds, it was at one time decided to have the ammunition re-made. I presume the remaining 9,000,000 was given up as entirely hopeless?—It would not have been wasted; they would open it and use the

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Ordnance Store Accounts—continued.

Mr. Herbert Lewis—continued.

the cases and use the metal, and so forth, at any rate; but a proportion of it would be absolutely condemned.

405. Could you say what the original cost of the 50,000,000 rounds was?—About a quarter of a million.

406. Then with regard to the cost of making the ammunition to the extent of 28,000,000 rounds, was an estimate formed of the cost of remaking it?—15,000,000 will be remade during the coming financial year at a cost of 1,200l. a million. The cost of the new ammunition is given as 4,800l. per million.

Mr. Cohen.

407. I want to ask the question again, because I did not gather the same impression as you did from the Comptroller and Auditor-General's Report; no doubt I was wrong. He says: "The total quantity received in imperfect or doubtful condition was over 50,000,000 rounds." Do I understand that that does not in any way imply that they were delivered by the purveyor in a defective condition?—No; that means received home from South Africa after the war. I take it that is what the Comptroller and Auditor-General means. (Mr. Kempe) Yes.

408. Then were the defects that led to the destruction due to the passage out and the passage home?—No; to the treatment the ammunition had received whilst in South Africa.

409. There is no reflection upon the character of the ammunition as it was sent out?—No; there is no evidence whatever to be found. I think I can assure the Committee, that not one single round of ammunition went out which had not been carefully inspected, and which had not satisfactorily passed inspection.

Mr. Blake.

410. The only thing which occurred to me upon some statements made elsewhere was the enormous proportion of this 50,000,000 rounds which came back defective. I can quite understand what you say about the treatment it received out in South Africa, but a statement was made, I do not know whether correctly, as to the total number of rounds of ammunition sent out and used in the war. I think it was that 160,000,000 rounds were sent out?—There was an enormous quantity of ammunition in the hands of the troops and in the blockhouses that was never used. When you consider that, the proportion would not be so unreasonable. The ammunition was carried by the men, and some of these men, the Town Guards for instance, and people of that sort, carried ammunition right through the war, and never fired a shot, and that is a most destructive thing for cartridges.

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STOCKTAKING OF ORDNANCE STORES AT CAPE
TOWN AND PIETERMARITZBURG.

Chairman.

411. (To Sir Guy Fleetwood Wilson.) Can you tell me if any change or new regulation has been made with regard to dealing with the equipment and arms of wounded men admitted to hospital? So far as I recollect, it was said that those men's arms and clothing were very frequently lost, and in paragraph 19 this large surplus is attributed to the lost arms and equipment of wounded men admitted to hospital. Has any new regulation been made with regard to the treatment of a man's arms and equipment when he goes into hospital?—I am afraid I cannot say as to that. I will ascertain and let you know the next time.

412. Perhaps you would look into the matter in regard to this paragraph in the Store Report?—I know the point was raised, but I do not know what has been done.

LOSSES IN TRANSIT ON SOUTH AFRICAN
RAILWAY.

Sir Brampton Gordon.

413. With regard to sub-paragraph 3 of paragraph 10, could we know what is the information which has been recently furnished by the War Office to the Treasury?—The point really is this: We have specially favourable terms from the railway companies for the carriage of army goods on the condition that we let them go at owner's risk, and the losses which we incur are so very small in proportion to the saving we make on the reduced rates, on what we call army rates, that I think there is no doubt we get much the best of it.

414. That is by taking them at "owner's risk"?—Yes; it is very much analogous to the position adopted in regard to insurance. The Government, as you are aware, as a rule does not insure its buildings. It is cheaper to take the fire risk, which is very much smaller than the accumulated premiums would be. This is really an analogous state of affairs. This was one of the points I took up when I was in South Africa, and we got very much reduced rates.

BLOEMFONTEIN ORDNANCE DEPOT ACCOUNTS.

Chairman.

416. Will you kindly tell us whether these stores at Bloemfontein have now been placed in permanent storehouses?—I should think they were hardly yet in a position to store them all in permanent storehouses. I would like to say that the stocktaking referred to in paragraph 11 was not carried out by War Office representatives. It was carried out by Army Ordnance officers, and it was only witnessed and tested according to the practice by the War Office representatives.

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*continued.**Chairman—continued.*

representatives. And in any case where the War Office representatives thought there was doubt as to the accuracy, they insisted upon a recount; but the actual stocktaking is done by the Ordnance officers.

416. What I am alluding to particularly is this passage in the second sub-paragraph: "It appears that the bulk of stores at this depot are still sheltered in tents or lie in the open and that the consequent wastage is serious." What account have you of any change since this report was written as to that?—I think this would come under the general head of the large building operations that have been going on in South Africa in the way of huts and so forth. The condition of affairs, no doubt, has been modified, but whether it is entirely altered I am not prepared to tell you.

Mr. Herbert Lewis.

417. Is it not rather late in the day for the bulk of the stores at this important point to be sheltered in tents?—The difficulty in South Africa in most of those places was that there was nothing on the spot, and you had to take everything from England and build it.

418. Had you not plenty of time to send out corrugated iron buildings?—Yes, and we have done a very large amount of building there. I will inquire into that and let you know next time. I gather what you want to know is what is the exact condition at the present time as compared with the state of affairs as described in the second sub-paragraph.

419. I ask the question because there must have been some enquiry asked and some communication from the War Office in face of this report?—I will let you know how the matter stands.

Sir Brampton Gurdon.

420. Is it intended to keep a large permanent stock of ordnance stores at Bloemfontein?—I should think Bloemfontein, being the capital of the Orange Free State, would be a large depot.

421. You think the storehouses will be needed; there is no useless expense?—I should think not. As long as there is a garrison it would be one of the places where there would be a depot. It is on the railway and a convenient place.

Mr. Blake.

422. If you refer to the third sub-paragraph, the statement is that "the ordnance officer describes the general stocktaking as of a rough and ready description." Then the Comptroller and Auditor-General goes on to say: "It therefore seems to me desirable that a careful scrutiny should be applied to all cases in which discrepancies in current ordnance stores accounts are ascribed to the unreliable results of the general stocktaking." I am not quite clear what practical application is to be given to that

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observation?—This is a case to some extent covered by the remark I made in regard to a previous case; we have done the best we could to take the stock as quickly as possible. The very conditions described in this paragraph will at once appeal to you as rendering stocktaking extremely difficult.

423. Certainly?—I am not prepared to admit that the stocktaking is rough and ready, because that conveys too much the impression that no care was taken, whereas the greatest care has been taken. If subsequently to a stocktaking the officer in charge of the stores makes mistakes, it is a very convenient way of explaining the mistakes to say that the original stocktaking had been done in a perfunctory manner. I do not say it is altogether satisfactory to the Committee, but you may take it that the effort which I have made has been to take stock as soon as possible without waiting for the conditions to be more favourable.

424. But the point which has occurred to my mind is this—the difficulty is that this is not the Comptroller and Auditor-General's description of the stocktaking; it is the Ordnance Officer's description; he calls it "rough and ready;" he therefore stigmatises the basis of his own office, the basis by which you are to test the accuracy of the subsequent accounts. That is the difficulty which I perceived, and I was anxious to know from you (because that, I take it, is one of your principal functions) what is the practical application of the observation which the Comptroller and Auditor-General makes when he says that "A careful scrutiny should be applied to all cases in which discrepancies in current Ordnance Store accounts are ascribed to the unreliable results of the general stocktaking." If the official responsible says himself that the stocktaking is "rough and ready" (which I am afraid means that it is unreliable) I do not see how that is to be got over?—It may mean that it is not strictly accurate, but it serves the purpose so far as it could be served. But of course as time goes on and we get all this into shape the stocktaking will become accurate and we shall start on a perfectly sound basis. These are what you may call intermediate stocktakings to the best of our ability.

425. (To Mr. Kempe). Perhaps you could say whether there is any particular course to be pursued with respect to discrepancies as they arise which you would suggest?—I supposed that the examination had been made by the War Office representatives. It was for them to apply a more careful scrutiny in future if they found that the deficiencies were due to the unreliable results of the general stocktaking.

426. Because otherwise, looking at the next paragraph, it seems very much to nullify the professed object of that audit as stated by the Report of the Auditor of the War Office?—(Sir Guy Fleetwood-Wilson.) You may have an object

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object in view and do the best you can to attain it, but in a case like this where the ordnance stores consist of thousands and thousands of mixed articles, in many cases mixed up together in huge storehouses, you could not take them out to count them.

427. I understand the difficulty. I am trying to see how it will be remedied?—It will be remedied in this way. As soon as accommodation is available the stores that have not given satisfactory results will be most carefully re-stored and examined and counted.

428. Efforts will be made as soon as the stores have been put into a permanent repository to make a sort of fresh stocktaking?—Yes.

429. Otherwise I do not see how we could say that the object of the audit "that the Peace Account of Depots and Units might be opened on a firm basis" has been attained?—It has not been attained because it was not possible to attain it in all cases; in some cases it has been; but it was the fundamental principle on which we were working, and I think it is a sound one, to do it to the best of our ability. But in future we shall work upon a sounder basis.

ENGINEER STORE ACCOUNTS, BERMUDA.

Chairman.

430. With regard to paragraph 12, were the Engineer Officers whose accounts were in default censured?—They were censured, and they were more than censured; they were told that the facts would be noted for consideration when it became a question of their promotion.

Sir Robert Mowbray.

431. (To Mr. Kempe.) I see you say in the second sub-paragraph that "Steps have been taken to secure a strict supervision of the stores and accounts in future." Does that mean that you are satisfied?—Yes, we are satisfied so far. We will keep the matter in view.

Chairman.

432. (To Sir Guy Fleetwood Wilson.) Paragraph 13 is merely statement?—I am afraid all

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GENERAL ENGINEER STOCKTAKING NOT CARRIED
OUT IN SOUTH AFRICA.

Chairman—continued.

I can say with regard to that matter is that we are making every effort we possibly can to push on rapidly with the stocktaking, but our Engineer stores have presented exceptional difficulty, inasmuch as the corps has been so very full of work since the war was over.

ROYAL ENGINEER STORE ACCOUNTS,
WEI-HAI-WEI.

Chairman.

433. (To Mr. Kempe.) With regard to the recovery of the £800 referred to in paragraph 14, is that expected to be made next year?—Yes.

434. (To Sir Guy Fleetwood Wilson.) Have you anything to report about these receipted vouchers being insisted upon for the future?—We are in communication with the station as to the absence of the receipted vouchers, and I am not yet in a position to give any reason for the absence of them.

435. They give no reason for the absence?—Not yet. I am not in a position to answer the question at present, but we are keeping the matter well before us.

Sir Brampton Gordon.

436. With regard to the recovery of this money in the next financial year, do I understand that we are still occupying Wei-Hai-Wei?—(Mr. Chalmers.) Yes, we are.

437. Are we to occupy it next year?—We are at the present moment occupying Wei-Hai-Wei. That is as far as I can go. You will find the grant-in-aid for it in the Colonial Services Vote, Class V.

(The Committee Room was cleared. After a short time the Witnesses were again called in.)

Chairman.

438. (To Sir Guy Fleetwood Wilson.) With regard to paragraph 17 the Committee would like to have the written papers of Sir Alfred Major and Mr. Maconochie, which you had in your hand, put in so that they may be printed and circulated to the Committee before next Friday?—When you say the papers I have by me, perhaps if I find the collection is not complete I may add to them?

Chairman.

439. Certainly. What we desire is the complete collection?—Yes.

Friday, 7th April 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Cameron Corbett.
Mr. Goddard.

Sir Brampton Gardons.
Sir Arthur Hayter.
Sir Robert Mowbray.
Mr. Pym.
Mr. Xerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in; and Examined.

STORE ACCOUNTS OF THE ARMY.

SUPPLY ACCOUNTS.

Sir GUY D. A. FLEETWOOD WILSON, C.B., called in; and Examined.

Chairman.

440. The Committee have consulted together with regard to the Appendix Paper which you have put in, giving the correspondence upon the Maconochie case; and they are desirous that you should give us the whole of the correspondence that passed. There are a great many asterisks in the correspondence as printed here?—Might I explain that I understood what the Committee wanted was all the correspondence and Minutes bearing on this particular question of the Warranty. I therefore had extracted from the Minutes and correspondence that portion which did apply to the question of warranty and no more, for the convenience of the Committee. In many cases those Minutes would be long Minutes dealing with a side issue having nothing whatever to do with the question of the Warranty. I certainly understood the instructions the Committee conveyed to me to be that it was upon the point of warranty, and that point alone, that they wished to have a complete collection of the papers. It would be perfectly easy to furnish to you the additional portions of the Minutes, but I do not think you will find they have any bearing upon the question of Warranty.

441. We did not propose to have them printed, but if you could furnish us with them, one or two members of the Committee would look them over?—I understand you would like to have the complete Minutes or the complete documents, of which we have only given you extracts?

442. Yes?—Then it means, I am afraid, prac-

Chairman—continued

tically giving a roomful of papers. My object in having those extracts taken was to give all that bore on the particular point that I understood you wished to elucidate, which was the point of warranty.

Mr. Goddard.

443. There are three letters referred to here which are not given at all; take for instance the letter on page 4, No. 10, which is a letter from Messrs. Maconochie Bros., which begins, "Your letter of the 21st May is a great surprise to us. We quite understood," and so on. That letter of the 21st May is not included here at all. We do not know what it was that was the surprise to them?—That letter may have slipped out. May I say that I have not seen any proof of this Appendix Paper. If you will kindly explain what it is that is wanted you shall have it as soon as possible.

Chairman

444. A member of the Committee suggests that a digest of the case which the War Office submitted to the Law Officers of the Crown would perhaps contain the whole of the evidence that bears upon the case of Maconochie; could that be put in?—Personally, I see no objection whatever from the War Office point of view; but, of course, I should have to refer the question to the Secretary of State, saying that it was the desire of

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[Continued.]

STORE ACCOUNTS OF THE ARMY.

Supply Accounts—*continued.**Chairman*—*continued.*

of the Committee to have the papers, and I fancy that would be enough.

445. If we had the case presented to us, would that give us all the correspondence—I mean all the gist of the correspondence?—I think so. The Law Officers, of course, had every paper bearing upon every feature of the Maconochie case at their disposal, in support of the statement we sent in to them; so that if they wanted any paper they fished it out of the huge bundles which were at their disposal. If the Committee will allow me to ask permission to hand in the case as soon as possible, I think that really covers the whole question of principle.

446. That is to say the case upon which the Law Officers gave their opinion?—Yes.

Sir Robert Mowbray.

447. Of course, as regards any letter referred to in the case, if the Committee wanted to see that particular letter, we could then apply for it?—Quite so.

Mr. Pym.

448. Does this Paper include every letter from Mr. Maconochie to you?—As I said just now, I have never seen a revise of the Papers we sent in. I had never seen this Appendix Paper, as printed, until I came here. As regards the letters and Papers which we have given you, I may say I turned the matter over to a very careful man, with directions to do nothing else but go thoroughly into the Papers, and he assured me that this was all the documentary evidence that really directly and importantly bore upon the question of warranty. But certainly I think that any reference in this Paper to another letter ought, as a matter of course, to be covered by the letter alluded to—that I frankly admit, and if I had had time to look at the print of this Paper I would certainly have seen that that was done. I am a little in difficulty, because, as I say, I am dealing with a document which I had not seen till I came here.

Mr. Cohen.

449. You said just now that the Law Officers had access to all the papers, in support of the Case you sent to them?—They could call for any Papers they wanted.

450. I do not suppose the Committee would want to carry it further than the Law Officers did. What we are anxious to get at, as I understand, is the comprehensive digest which you submitted to the Law Officers, which would enable them to tell whether they would want any more or not. We have never had the digest of the case?—No, I understood last time the Committee did not press for the opinion of the Law Officers, which cannot be given without the consent of the Law Officers, so far as I know. I thought that being so the Committee did not ask for the case as we stated it; but I have no

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STORE ACCOUNTS OF THE ARMY.

Supply Accounts—*continued.**Mr. Cohen*—*continued.*

doubt it will be at once readily rendered by the Secretary of State when he knows you wish to have it.

451. Your case, as you submitted it, probably gave the Law Officers a very ample digest of all the papers which they could have access to, and which they would probably not want with the assistance of your digest?—I cannot say what Papers they called for, but at any rate it would put them upon the track of the Papers.

Chairman.

452. So far as I can gather the wish of the Committee, it is this: We should be glad if you could issue another Paper, giving all the letters which are referred to in this correspondence. We have here one side of the case, but apparently not the other. If you could give us all that is contained here with the further letters which are referred to, and also the case as presented to the Law Officers of the Crown, it seems to me that would cover everything?—Then perhaps this Paper might be taken simply as a proof.

453. Yes. Any letter referred to in that, we should like to have?—Yes. My only point is that it is a little bit hard for me not to see the documents before they are put into the hands of the Committee, and not to have a chance of proof-reading them.

Sir Robert Mowbray.

454. Then, of course, all the letters will come in in chronological order?—Yes; I think they do in this Paper.

455. But I mean if you put in others, they will have to be put in their proper places?—Yes; that is why I ask permission to treat this Paper as a proof.

Chairman.

456. Very good; then you will do that?—Yes. I might mention to the Committee, in regard to the case of the Maconochie rations, to which allusion was made in my evidence last time, the rations which I said we claimed as well as the 2,500^{l.}, have been handed over to us, and are about to be taken on charge. You may remember that I indicated that at any rate the little they were worth in regard to the tins and the cocoa, would be additional to the 2,500^{l.}

Sir Robert Mowbray.

457. Have you done anything to test them?—We have not got them yet. They are coming by sea from Mr. Maconochie's factory. Then I may inform the Committee that the evidence in Sir William Butler's Committee is being printed as it is taken. The type is being set up at the War Office, and the evidence is being printed as the inquiry proceeds. Another point which you asked me was whether the stores at Bloemfontein were still in the open; that was in con-

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nection

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[Continued.]

STORE ACCOUNTS OF THE ARMY.

Supply Accounts—*continued.*Sir Robert Mowbray—*continued.*

nection with the question of stock-taking under difficulties. The last accounts we have were that a great portion of that class of building would be completed on April 1st; but it is probably within the knowledge of the Committee, that there has been a large fire at Bloemfontein, and therefore that statement must now be modified perhaps by the effect of the fire. We have not had a very detailed account of it yet, but it was a large fire, and it destroyed buildings as well as their contents. Then the last point I have to allude to, as regards my evidence last time, is the question which the Chairman asked as to what had been done in connection with the arms, accoutrements, and ammunition, of invalids going into hospital.

Chairman.

458. That is referred to in Question 411, on paragraph?—Yes. I think it may save the time of the Committee if I hand in a little memorandum, or would you like me to read it?

459. If it is short you might read it. It is, I understand, in regard to the question of what becomes of a man's arms and accoutrements when he goes into hospital?—Yes; the memorandum which I prepared goes into fuller detail, but I may perhaps put it rather more shortly. The regulations provide for the arms, ammunition, and accoutrements of invalids to be handed over by the hospital to the nearest Ordnance Store, the Ordnance Officer there to send a notification to the invalid's corps, to enable the Officer Commanding to clear his account. Owing to the pressure on the Medical Corps, this system broke down, and apparently all that was done was to hand over the stores in bulk from time to time without any particulars as to the units to which the men belonged. Attempts were made to revert to the Regulation system, but although some improvement was made, there were many cases of omission, and naturally large surpluses accrued. As regards the future, this question forms only one of the points for consideration as to the general system of accounting for equipment in the field. It is receiving, and will receive, very careful attention when the new Accounts Department has had more time to gain experience.

460. We propose now to take the remaining paragraphs of the Store Accounts, without touching upon the Maconochie case or the jam case?—Yes.

CONDEMNED FORAGE.

Chairman.

461. (To Mr. Kempe.) I do not quite understand what you mean in paragraph 18 when you say in the first sub-paragraph, "A report has been obtained from the General Officer Commanding, and is under consideration at the War Office." In the next sub-paragraph you say, "The War Office do not consider that there are any sufficient grounds for reporting to the Treasury the losses upon sales of forage?"—The first

STORE ACCOUNTS OF THE ARMY.

Condemned Forage—*continued.*Chairman—*continued.*

sub-paragraph refers to the loss on the sales of oats; the second one referring to a question that has already been reported upon by a Committee, namely, the destruction of condemned goods and deficiencies on stores, indicates that in the view of the War Office the war conditions justify both.

462. I thought it referred to the same thing?—No, they are different points. Paragraph 15 also deals with the second point.

Mr. Goddard.

463. (To Sir Guy Fleetwood Wilson.) In regard to the first sub-paragraph, which says, "a report has been obtained," what is the nature of that report?—You mean in regard to these particular oats?

464. Yes?—The oats were obtained from New Zealand; they were New Zealand oats, and the New Zealand Government examined them and passed them on our behalf. They were bad oats. I think perhaps I might, with your permission, refer to a letter I have here which we sent to the Treasury, which explains the situation. These were particular oats which were found damaged and unfit for issue. They formed part of a certain quantity of oats purchased by the War Department in January and April, 1902. They were inspected and passed by the New Zealand Government, and under the conditions of the contract this inspection was sufficient for us; the inspection was final as regards quality and weight. On discharge of the ships at Durban it was found that the oats were more or less heated, and two-fifths of the total quantity were disposed of by public tender at a low price, in order to avoid further loss. That is the condition of things as regards the oats. Answering your question more directly, that is the purport of the report of the General Officer Commanding.

465. The concluding words of the sub-paragraph are, that this report "is under consideration at the War Office"?—Yes.

466. Can you tell us what resulted from the War Office consideration of it?—The War Office have laid the matter before the Treasury in their letter of March 20th.

Mr. Pym.

467. Is that the letter you have just read from?—I have just read an extract from it. We have also as a further step drawn the attention of the New Zealand Government to the condition of those oats. We had to wait until we could make reference to South Africa. When we got the report of the General Officer Commanding we decided to lay the matter before the Treasury. We wrote to the Treasury, and as the outcome we also have represented to the New Zealand Government the fact that a heavy loss has been entailed upon us by the condition of those oats. That is as far as we have taken the matter.

468. What did you pay to New Zealand?—I think the original cost was 45,000*l.*, that is including freight. The sales realised 5,000*l.*

469. Did

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[Continued.]

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Condemned Forage—*continued.*Mr. Pym—*continued.*

469. Did the New Zealand Government's responsibility cease when the oats were shipped, or was their responsibility carried on until the oats were landed at Durban, or wherever it was they were landed?—It ceased on shipment.

Mr. Goddard.

470. Was there any insurance in that case; do you insure these things?—I do not think we ever insure Government goods, as a rule.

471. You underwrite the loss that may occur by fire or heating?—It was known that the New Zealand Government were in great difficulties owing to its being a very bad harvest that year, and we knew they had difficulty in procuring sound grain in sufficient quantities to meet the requirements of the War Office. I think the conclusion arrived at by the responsible officers, is that the Colonial Government did do its best in the matter. They were severely handicapped by the peculiar character of the harvest of that year.

472. These oats, which are dealt with in paragraph 18, had nothing to do, I presume, with contractors (A) and (B), who are referred to in paragraph 88 of the Report on the Appropriation Account?—No. This is a concrete case of oats that we got through the New Zealand Government, and I am informed the decision come to after considering the case by the Army Council is that nothing more really can be done, except pointing out to the Colonial Government the unsatisfactory outcome of this contract, and asking for any explanations which can be held to justify the passing of such shipments. But it is recognised that they had difficulty in consequence of the abnormally bad harvest.

473. Then I come to the second part of paragraph 18, where it is said, "The War Office do not consider that there are any sufficient grounds for reporting to the Treasury the losses upon sales of forage"?—That is another case; the two cases are not the same. I may say we have reported it to the Treasury now. We had decided to report it to the Treasury before this came before us.

474. I was going to ask why that reason should relieve the War Office from obtaining Treasury sanction?—You mean the case I have just alluded to?

475. I am referring to the second sub-paragraph?—We did decide eventually to lay these losses before the Treasury, and as I say, we did so before this case was brought to our notice by the Comptroller and Auditor-General. I do not know that we always report a loss if it is attributable to war conditions.

476. Of course, the effect of this transaction was very largely to increase the appropriation?—In this particular case we lost 40,000*l.*

Sir Frederick Banbury.

477. The additional sales realised about 5,000*l.*?—In the case of the New Zealand oats,
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STORE ACCOUNTS OF THE ARMY.

Condemned Forage—*continued.*Sir Frederick Banbury—*continued.*

they cost us 45,000*l.*, including freight, and the sales realised 5,000*l.*

Mr. Goddard.

478. But I understand now you have applied for Treasury sanction?—Yes, we have reported to the Treasury the loss.

Mr. Victor Cavendish.

479. What was the date of the letter you referred to just now as sent to the Treasury?—March 20th this year. I ought to point out that we were a very long time in getting replies from South Africa with regard to this case. In this case, as in many others, there comes in the question of delay: we have to wait till the thing has been thoroughly threshed out with South Africa before we can take any action at home.

Mr. Pym.

480. Have you had any answer from the New Zealand Government about these oats?—No, not yet. I do not think we have had time to get an answer yet.

481. You cannot say whether they have set up a claim as against that loss, that the loss was incurred on board ship, and not before the oats were shipped?—I cannot say what attitude they may assume, because we have had no answer yet.

482. Supposing they did set up any such claim as that, could that be admitted?—It is very difficult to deal with a contention until you have it actually before you; but undoubtedly, if they could show that other causes as well as the somewhat inferior character of these oats, did effect the deterioration of them, I presume importance would be attached to that representation, and it would carry weight.

483. The reason why I ask the question is because you stated that what affected the oats was that they were heated, and is not that very likely to have been the effect of their being on board ship?—We know for a fact that there was a prolonged detention of the ships at the port of discharge, which certainly bears upon it. Also there was want of suitable storage accommodation at Durban. They could plead those two things, and we should have to recognise that that was sound.

Sir Frederick Banbury.

484. I am sorry I was not here to hear your earlier evidence. I do not know whether you have given any reason for the extraordinary difference in price?—The explanation which I have given, and which I have to submit to you, is that at the time the sales took place the market was overloaded to a remarkable extent, and that the condition of the oats, apart from that, would lead one to expect a very heavy loss.

485. New Zealand oats are very good as a rule, are they not?—I believe they are, but this was an abnormally bad harvest.

486. You

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[Continued.]

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Condemned Forage—*continued.*Sir *Frederick Banbury*—*continued.*

486. You do not know what these oats were supposed to weigh?—I am afraid I cannot tell you that.

487. The average price of 40lb. oats would be about 18s. to 20s. a quarter?—I am afraid you are getting beyond me. I can furnish you with any information, if you wish it, next time.

488. Will you take it from me that it is so?—Certainly.

489. The actual price realised per quarter for these oats is 2s. 10d.; have you ever heard of a quarter of oats being sold for 2s. 10d.?—I really cannot follow you in the price of oats, but I think if they were heated on board ship, and were bad when they started, it is presumable they must have been worth very little when they were sold.

490. If they were bad when they started, surely that is the fault of the seller?—I have given evidence upon that point before you came. It is quite admitted that the oats were not good oats, but it is known that the New Zealand Government experienced great difficulty owing to the abnormally bad harvest in procuring sound grain in sufficient quantity. It is also the fact that there was a prolonged detention of the ships at the port of discharge, and there was also a want of suitable storage at Durban. But, as I say, if you start with the knowledge that the oats were not good in the beginning, that they got heated on board ship, that they were kept on board too long, and that we were not able to store them properly when they were landed, I do not see that there is likely to be much of a marketable article at the end.

491. Still, if you take the average price of oats—not first-class oats, but ordinary 40lb. oats—as from 18s. to 20s. a quarter, 2s. 10d. is a good margin, is it not, however bad the oats may be?—The only answer I can give is that there was also a great surplus of stocks on the market, and that was the best price that could be obtained by the local officer who sold it. I am afraid I cannot go into the question of what they were worth and what they were not worth, because I am not in a position to do it, nor do I see that anybody could now.

Sir *Robert Mowbray.*

492. Have these oats anything to do with the case that is now being tried in the Courts?—No, this is a concrete case of itself.

Sir *Frederick Banbury.*

493. I am right in thinking this case has nothing to do with the case where the officer in charge bought oats from certain contractors and sold them back?—No; this is, so far as I know, a concrete case of oats that were condemned because they were bad on arrival, and got worse owing to the causes I have indicated. They were purchased through the New Zealand Government.

STORE ACCOUNTS OF THE ARMY.

Condemned Forage—*continued.*Mr. *Buchanan.*

494. These oats were bought in January, 1902, you told us, I think. Between whom was the contract made?—Between the War Office and the New Zealand Government Agent-General.

495. The War Office at home entered into communication with the New Zealand Government to purchase the oats, is that so?—I believe that is so.

496. Through the Agent-General here?—It would be through the Agent-General.

497. Have you got the form of contract, or what arrangements were made for the purpose?—I have not got the form of contract with me—I can procure it if you wish.

498. Is it usual to contract for forage with Colonial Governments?—I think there was difficulty in getting oats in the quantities wanted. We had to buy them pretty well everywhere.

499. Was this a single case of a contract with the Colonial Government?—No, we had many contracts with the Colonial Governments during the war.

500. I want to know what this contract was—did we apply to the Agent-General here to get the New Zealand Government to supply us with a certain amount of oats?—I cannot say straight off whether we approached them or whether they approached us. I cannot tell you straight off whether we said, "We want oats; can you get us some New Zealand oats?" or whether they came to us and said, "You are buying oats; will you take some of ours?"

501. When you said "they," you mean New Zealand Government?—I ought rather to say the New Zealand Government acted on our behalf as inspectors. The oats were bought, no doubt, from farmers and merchants in New Zealand.

502. Bought by whom?—By the Agent-General for the Colony. He would act for us to a certain extent.

503. That is rather different from what I understood before. As I understand now, we went to the Agent-General here, and he said, "I may be able to get you oats in New Zealand," and the New Zealand Government was only inspecting?—Yes, that is all.

504. Then it is not a contract with the New Zealand Government to supply the oats?—No; the New Zealand Government, on behalf of the Secretary of State, inspected and passed the cargoes at the port of shipment, under the conditions of the contract. The oats were bought from various merchants and people in New Zealand.

505. Through whom?—Through the Agent-General.

506. Can we see the form of contract that was made?—I will get one and put it in; I have not got it with me.

507. What was the amount of oats contracted for?—I cannot tell you; I have not got the particulars with me.

508. We

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STORE ACCOUNTS OF THE ARMY.

Condemned Forage—continued.

Mr. Buchanan—continued.

508. We can get that information, of course, later?—Yes.

509. Was the whole amount bad?—I see it says in our letter that the oats which were unfit "formed a part of the cargoes of three ships," so that I should say there were other oats besides those.

510. You told us a short time ago that the oats were bad when they started?—Yes, these particular oats were.

511. Does that mean all the oats for which these contracts were made for oats from New Zealand?—No, I am alluding to the particular condemnation under consideration here, which involves a loss of 40,000*l.* Those were only a portion of three cargoes, as I was saying. There is a very large quantity, no doubt, outside those, in regard to which I know of no condemnation, and as to which I know of no sales as condemned.

512. A certain amount of the oats was good?—Yes, I should say so, because we have had large dealings with the New Zealand Government.

513. You said just now that the New Zealand Government was to act as inspectors at the port of embarkation?—Yes.

514. Are you satisfied with the way in which they discharge their duty?—I am hardly in a position to say as to that. I do not suppose anybody I could get information from was present when they inspected, but there is no reason to doubt the *bona fides* of the New Zealand Government in the matter.

515. You told us that a large quantity of it was bad when it started; have you made any complaints to the New Zealand Government?—I have already stated that we have represented to the New Zealand Government the loss that has accrued on this transaction.

Sir Frederick Banbury.

516. You would not employ them again to inspect oats if you were buying for yourself, would you?—I cannot say that.

Mr. Buchanan.

517. Did they formally contract to inspect the oats before they started?—I cannot say whether they actually formally contracted, but they undertook to do so; and under the conditions of the contract this inspection was to be regarded as final as regards quality and weight.

518. What we want to get at is, who is responsible for this very considerable loss to the extent of 45,000*l.* worth of oats being bad?—I see your point. I should say, owing to the conditions of the market that year, it was extremely difficult for them to furnish the oats in sufficient quantity; and they did (according to the view taken by the Army Council) the best they could for us. They were acting on our behalf in inspecting these oats.

519. Of course, the fact of the harvest being bad was known to everybody. That is no reason

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STORE ACCOUNTS OF THE ARMY.

Condemned Forage—continued.

Mr. Buchanan—continued.

why they should sell, and why you should buy, bad oats?—We wanted oats.

520. You did not want bad oats?—No, but you cannot have a prime article when it is not to be got.

Mr. Goddard.

521. Did you try anywhere else?—I fancy we were buying oats pretty well everywhere at this time.

Mr. Buchanan.

522. Can we have the terms of this contract?—I have no doubt I can get you a copy of the contract, and also of the letters which presumably passed in regard to it; that is to say, the Government of New Zealand undertook to do this for us. It may have been only a telegram to the Agent-General.

523. You mean between the New Zealand Government and the Agent-General?—Yes.

524. We are still rather in the dark as to how this contract arose—whether the War Office communicated with the Agent-General, or whether the New Zealand Government communicated with the Agent-General; what the form of the contract was, and on what it was founded?—I am not in a position to tell you, but I will make a point of finding out exactly what has taken place so far as it is possible to ascertain, and place the information in the hands of the Committee next time. I am afraid I cannot produce answers to all these points to-day straight away. I know the New Zealand Government did undertake these duties for us, and I believe we bought through the Agent-General, and I know the oats turned out not to be good; but I cannot say whether the Agent-General came to us and offered us oats, or whether we asked him to buy on our behalf.

525. Was there no possible means of recovering from anybody?—I do not think so in view of the fact that the oats were detained a long time on board ship, and were unsuitably stored when they were landed.

526. You do not know whether in the contract there was any penalty clause attached?—I should think there would be, but that would be covered by the oats being passed when they were inspected.

Sir Frederick Banbury.

527. Are you aware that New Zealand oats come over to Mark Lane and fetch the highest prices of any oats except Scotch oats?—I have reason to believe they are very well thought of and fetch high prices.

528. They would naturally be on board ship a long time if they come from New Zealand to London, and yet they arrive in good condition?—But this was a case of the ship being detained in port, and there was a prolonged detention of the oats on board ship. I am giving you the reasons

reasons

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Condemned Forage—continued.

Sir *Frederick Banbury*—continued.

reasons for the deterioration that were seriously advanced and maintained by the responsible officer.

529. I am answering your suggestion that the detention of the oats on board ship would naturally make them bad?—I alluded to those two things as contributory causes of the deterioration; but I think if they were even slightly heated, that would obviously contribute very much to finishing them off.

530. That might have arisen from careless shipping?—Possibly.

Mr. *Buchanan*.

531. Have you made any claim against anybody for this serious loss?—No, we have reported the matter to the Treasury. We reported it to the New Zealand Government, but the Army Council consider that "little can practically be done beyond pointing out to the Colonial Government the unsatisfactory outcome of, and the serious loss arising from, these particular consignments, and asking for any explanations which can be held to justify the passing of the shipments." That was the action that was taken.

532. When was that letter to the Treasury, that you have quoted from, written?—On March 20th last.

533. Since the date of the Comptroller and Auditor-General's Report?—Yes. We had been, as I have already remarked, dealing with this subject as far back as the middle of 1904. We cannot get at close quarters with things of this sort until we have done all we can to get full information from South Africa and elsewhere. I hope the Committee will not suppose nothing is done in these cases until this Report comes out.

Mr. *Victor Cavendish*.

534. Did you write to the Colonial Government before March 20th?—I do not think so. When we came to the conclusion that it was time to put it before the Treasury, it, of course, had to be considered very seriously whether it was right to make representations to the Government of the Colony. That took a little time. It had to be passed up for the consideration of more than departmental officers. But the matter has been before us, and has been considered from the point of view of the unsatisfactory features presented by the case, as far back as the middle of 1904.

Mr. *Buchanan*.

535. (To Mr. *Chalmers*.) In regard to the second part of this paragraph, it would be usual, I suppose, for the War Office to report these losses upon sales of forage to the Treasury?—In a case of this sort, yes, and, as I understand, the War Office did recognise that before the Comptroller and Auditor-General's Report was written. It is not a case which, strictly speaking, flows from the exigencies of military service, but it is really an ordinary commercial transaction which has involved con-

STORE ACCOUNTS OF THE ARMY.

Condemned Forage—continued.

Mr. *Buchanan*—continued.

siderable loss to the State, and therefore should have come, as it has come now, to the Treasury. Up to the present, the Treasury has not given its sanction.

Mr. *Ferburgh*.

536. (To Sir *Guy Fleetwood Wilson*.) I want to ask, with regard to the statement that the harvest was a bad one; by that do you mean that the yield was bad, or that the crop was got in in a bad condition?—I believe both.

Sir *Brampton Gurdon*.

537. I suppose, if these had been good oats, they would have fetched about 7l. a ton?—I really cannot go into the question of the market value of oats, because I know nothing about that—in any case my knowledge would be merely as regards London prices.

Mr. *Victor Cavendish*.

538. During the particular time that these sales were being made, were there any repurchases being made from contractors?—I have asked the Assistant Director for Accounts, who is present, and who was in South Africa for some time, and he tells me he does not think that any sales of that character synchronised with this particular case.

539. Who is responsible for the sales of surplus stock?—The Supply Officers, under the General Officer Commanding.

540. Had they any rules laid down as to how and when they were to sell them?—They would be covered by the general regulations of the Army Service Corps, but I fancy they would use their judgment a good deal as to when they should sell. But on the other hand, no doubt the question of storage would affect the case.

541. But there have been no general lines laid down as to selling these surplus stores?—They would be local regulations if any have been issued, but I am not aware that there are any.

542. Were there no orders issued from Headquarters as to getting rid of surplus stores?—Not beyond the general understanding that surplus stores might be sold.

543. That they might be sold if they could be sold to advantage?—It is assumed that they would be sold to the greatest possible advantage. That is a question that will be, I presume, considered and reported on by Sir *William Butler's* Committee.

544. That would be the general principle, not dealing, perhaps, exactly with this particular case?—Not dealing with this particular case—it does not apply here—but you will probably have full explanations of the conditions which have governed the sales in South Africa.

545. No doubt when we have Sir *William Butler's* Report in our hands we may be able to find out if there is any general principle laid down?—Yes. It seemed to me it would be very little use for the Committee to go over the same ground with two people, and I have rather left that

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Condemned Forage—continued.

Mr. *Victor Cavendish*—continued.

that feature therefore to Sir William Butler to place before you. I can obtain any information in advance, if you wish it.

Mr. *Goddard*.

546. Can you say whether these oats were sold by public auction or by private tender?—I do not think I can say positively. I should be inclined to think they were probably sold by private tender. Private tender was the usual way they sold them at that time.

547. When an extraordinary loss like this is incurred on a sale of forage, would not the War Office make inquiry as to whether the best means had been taken to advise the public of the sale?—We have raised that question on more than one occasion, but we found that the general practice was to sell by private tender rather than by public auction.

548. That general practice usually resulted in getting a very low price, did it not?—It is not a practice that I think commends itself to me, but, of course, the local circumstances do affect the cases.

549. When we get the report of Sir William Butler's Committee and go into it fully, shall we be able to get a statement showing the total extent of these sales of surplus stocks and the amount that was sold by private treaty?—A report has been asked for by an honourable member of the House, and I have already started on it, showing the losses arising, or at least the cost to the public arising out of sales in South Africa for several years—three years, I think it is.

550. That does not exactly answer the question I was putting. I wanted to know why they were not sold by public auction?—I cannot tell you. The general practice, as I have already said, appears to have been to sell by private treaty. If you will turn to paragraph 83 on page 236, which Mr. Gibson has brought to my notice, you will observe it says "it appears from the report of the General Officer Commanding, which has been furnished to me, that the sales were mainly conducted by private treaty, as there was practically no response by merchants to the advertisement of the Director of Military Sales." That is one of the paragraphs which are referred to Sir William Butler's Committee, and that presumably would cover all these cases where private treaty was adopted as the method.

551. You will remember the question was raised last year?—It was.

552. I think I asked you a question in regard to it last year, at question 3620, and you said, "I have already said that unless I am unable to do it because of superior authority (in which case I should inform the Committee), I will inform the Secretary of State of the wish of the Committee, and will endeavour to furnish such information as is right as soon as we are in a position to do so." That is the information I am rather asking for?—Yes. Perhaps you will allow me to look into that; at this moment it escapes my memory what steps were taken.

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STORE ACCOUNTS OF THE ARMY.

STATEMENT OF SUPPLIES TO THE VALUE OF 1,000L.,
OR OVER, CONDEMNED OR UNACCOUNTED FOR
WRITTEN OFF STORE CHARGE.*Chairman*.

553. (To Sir *Guy Fleetwood Wilson*.) The "written off" or supplies, of the value of 1,000l. or over referred to in paragraph 20, amounting in all to 373,756l., represent losses all over the period of the war, do they not; they are not merely within the dates that this Report refers to?—No, they are made up of Durban deficiencies and condemnations, and the destruction of condemned meat and vegetable rations at Pretoria.

SUPPLIES ISSUED TO CAPE GOVERNMENT.

554. Is this settlement with the Cape Government, which is referred to in paragraph 21, getting any nearer conclusion through the General Officer Commanding?—It is very difficult, unfortunately, to get paid in these cases, but the total issues were very large, and these recoveries are really heel taps. The outstanding claim against the Cape Government now amounts to 17,000l., and we are pressing the matter.

555. But the report has not been rendered yet?—No.

SOUTH AFRICAN SUPPLY ACCOUNTS OUTSTANDING.

556. There are also outstanding questions with regard to the South African Supply Accounts referred to in paragraph 22?—Yes, vigorous steps have been taken to close those accounts. The General Officer Commanding has been urged to hasten all replies, and so far as the Finance Branch of the War Office is concerned we could close the whole matter in a few weeks; but we cannot get replies to our inquiries. The delay is really outside our control. In many cases the accounts were not rendered till called for, or were lost; and as they had to be made up long after the event, in many cases they were incomplete, and our own queries were very numerous. We are doing all we can to hasten up the replies, and as soon as we get them we can close the case.

Mr. Cameron Corbett.

557. With whom does the responsibility for these delays rest; who is it that have not given the replies?—The difficulties in South Africa, no doubt, are the cause of the incomplete condition of affairs out there. We are doing the best we can, and they are doing their best to get them completed, but, as you know, the conditions under which the war was conducted in South Africa made it very difficult.

Mr. Buchanan.

558. I should like to ask one question with regard to paragraphs 21 and 22. You spoke about getting a general settlement with the Cape Government, that, of course, deals immediately with stores. Are you going to try to arrive at a

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STORE ACCOUNTS OF THE ARMY.

South African Supply Accounts Outstanding—
continued.

Mr. Buchanan—continued.

general settlement of all the outstanding claims between you and the Cape Government; has this got to wait till that is settled?—This money is due for provisions and forage issued for local forces maintained by the Cape Government.

559. Will this be a separate settlement?—We are asking for this separately; it is only a balance.

560. I mean the 17,000*l.* you spoke of?—That is on that particular thing. We are pressing for this particular 17,000*l.* to close this account.

SURPLUSES AND DEFICIENCIES AT KRUGERSDORP
ON TRANSFER OF CHARGE OF SUPPLIES.

Chairman.

561. As I understand in regard to paragraph 23, the confusion in the accounts arises from the fact that men indent for so much vegetable rations and so much jam, and do not draw the full amount; and consequently the account and what is written off does not agree. The War Office admit this "is not satisfactory from an account point of view," because, of course, the accounts must always be incorrect?—Yes.

562. But they go on to say that they "propose to provide for such a case in future." How can you provide for it?—It is really not wise to object too strongly to a surplus. Of course, it is better not to have either deficits or surpluses, but they do occur, and they occur not infrequently through people not drawing what is due to them; and if you are too strict in raising objection to the existence of a surplus I need not point out it is very easy to get rid of a surplus. You may as well have it if it is there; and therefore I do not want to press that too much. I quite admit that in a perfect condition of affairs there ought not to be a surplus, but it does arise in many cases through people not taking what is due to them.

563. It says here that they propose to provide for such a case in future; how could it be provided for?—We have got regulations by which supply officers can take credit for short issues, and so obtain surpluses. The new regulations which are in preparation will, I am afraid, not be able to do more than to impress upon the officers concerned the necessity, if, and where possible, of identifying the stock which is surplus, so as if possible to be able to trace the cause of it.

564. Anyhow, they will take stock now regularly every month, which will prevent much arrears, I presume?—They will take stock regularly now.

Sir Robert Mowbray.

565. Has the Departmental Committee which is referred to in this paragraph issued its Report?—The Report has gone to the Treasury.

566. What you have been telling us in your last answer was the substance of the Report of the Committee, I suppose?—That is one point.

STORE ACCOUNTS OF THE ARMY.

Surpluses and Deficiencies at Krugersdorp on
Transfer of Charge of Supplies—*continued.*

Mr. Goddard.

567. Is there any reason why you should not keep a "Goods Outward" account? As I understand it, you put down the indent which is due to the soldier whether he takes it or does not take it, just as if he had taken it. Why is it not possible for you to do as any other person would, and if a man only takes half-a-dozen pots of jam instead of a dozen, put down half-a-dozen?—That is one of the points which will be taken up when we frame the new regulations, as the outcome of the inquiry which has been made as to what is the best way of dealing with this.

568. I suppose the soldier receives an indent for stores which he can go to the store and get?—Yes.

569. That is the amount which is said to be issued to him, whether he takes it or not?—Your point is, why is it not properly done?

570. Yes?—In war time it was not properly done. I am afraid that is the only answer I can give you. In peace time it would be done, in war time it was not done, and that accounts for the large surpluses to some extent.

Sir Brampton Gardon.

571. It says in the Report that compressed vegetables were generally disliked—is that because they were bad?—No; the vegetable meat ration has nothing to do with the emergency ration, if that is what is passing through your mind.

572. But the tinned vegetables were generally bad, were they not?—No, I do not think so.

573. (To Mr. Chalmers.) May I ask whether it is not the result of your inquiries that the compressed vegetables which were supplied to the "Discovery" for the Antarctic Expedition were very bad?—On behalf of the Treasury I have no knowledge about that. Personally I am on the Antarctic Committee as a representative of the Royal Society, but I should be glad if the honourable member did not put the question to me in that capacity.

574. (To Sir Fleetwood Wilson.) May I ask what paragraph 108 of the Regulation for Supply Transport and Barrack Services is—I mean the substance of it?—I think the purport of it is given here. The Regulation says, "On the last day of each month stock will be taken of all provisions, forage, etc., in the various magazines, barns, storehouses, etc., by the officer in charge of Supplies, except at out stations, in proceeding to which undesirable expense would be incurred, in which cases stock will be taken by the subordinate in local charge."

MEDICAL ACCOUNTS ON ACTIVE SERVICE.

Chairman.

575. With regard to paragraph 24, do you anticipate any difficulty in these Advance Depôts in war time rendering ledger accounts?—The details of the instructions are being considered

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Medical Accounts on Active Service—*continued.**Chairman*—*continued.*

sidered and worked out now. I think it would be difficult for me to say more than that at present, because the case is not quite complete.

576. (To Mr. *Kempe*.) You understood that ledger accounts were going to be kept by Advanced Depôts?—Yes. (Sir *Guy Fleetwood Wilson*.) They are going to be kept, but the details are being worked out now.

ACCOUNTING FOR ORDNANCE AND OTHER STORES ON ACTIVE SERVICE.

577. (To Mr. *Chalmers*.) Do the Treasury agree that sufficient valuations have been taken in regard to all the details mentioned in paragraph 25, and that they will not press the War Office to carry out any more?—That is so.

578. Because the expense would be considerable if they were carried further?—That is so.

STORE ACCOUNTING IN THE FIELD.

Chairman.

579. (To Sir *Guy Fleetwood Wilson*.) Of course, the questions referred to in paragraph 26 are rather hung up until you have more experience of how the new Accounts Branch works?—Yes; for instance, the confusion of store counting was largely due to the impossibility of effecting a prompt examination of accounts in war time. That difficulty can only be prevented, in my opinion, or at any rate much modified, in future campaigns, by having a skilled and sufficiently numerous accounting staff on the spot. I hope to be able to supply that by means of the new Accounts Department, but it is a Department which must be built up. It is being built up, and I have every reason to believe it will be a success.

580. You spoke last year of a Committee under Sir John Steevens having been appointed on Accounting for Stores on Active Service in the field; have they reported?—They have reported; but they have not dealt with that question as I thought they would do. It will have to be taken up now.

Mr. Goddard.

581. You had a representative of the Director of Finance on that Committee, had you not?—There was one on Sir John Steevens' Committee.

582. I see you said you had "a representative of the Finance branch sitting on the Committee"?—Yes, we had; but they appear, at any rate so far as I can see, to have dealt only with the working of the Army Ordnance Department during the South African War.

583. You gave a promise in your evidence last year that having a representative of the Finance Branch on it, you would take it up again and present a report to us here?—There was a representative of the Finance Branch on the Com-

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STORE ACCOUNTS OF THE ARMY.

Store Accounting in the Field—*continued.**Mr. Goddard*—*continued.*

mittee. The question of accounting generally in the field, is one which has been practically handed over, so to speak, to the Army Accounts Branch, which has just been formed. I am afraid I did unintentionally mislead the Committee when I told them that the Committee on which I had a representative would take up the question of accounting, because it has been left to be worked out in the Office by the new Accounts Branch, which will be answerable for accounting in the future.

Sir Robert Mowbray.

584. Then what did the Committee deal with?—It dealt with the duties of the Ordnance Department in the field; it did not go on to the Accounting.

Chairman.

585. Is that the same Committee that is referred to in paragraph 28?—No, that relates to another question. That is a Committee consisting of General Wynne, Colonel Dunne, Colonel Clayton, Mr. Flynn, and Mr. Edwards. They have sent in their Report, and the Report is now before the Treasury.

Mr. Buchanan.

586. May the Committee understand that you will not lose sight of this question of the consideration of War Accounting?—Yes; it is one of the gravest importance, and obviously it will be one of the main features, so to speak, of the work of the new Accounts Branch.

587. So that we may expect to hear what the result of your deliberations upon the subject is in a future year?—I hope so, certainly.

588. (To Mr. *Kempe*.) Of course, you will not lose sight of the question either?—We shall report upon it if it arises in any form. We will bear it in mind in the examination of the Accounts. (To Sir *Guy Fleetwood Wilson*.) Might I mention that the chief errors and difficulties which have arisen in connection with all the Accounting in the field (and this is included in it) have been, in my opinion (and I am glad to say the opinion has been accepted), owing to the fact that there was nobody to deal with the Accounts and to watch and follow up the expenditure while the expenditure was being incurred. It was with that object that the accounts Branch was created, which will have a representative in the field, and keeping the accounting going as the money is spent, so far as Military conditions permit of it. That is really the answer to that paragraph: that a body has been created which will cope with the difficulty which has arisen in the past, and I hope overcome it.

589. You say, or the Comptroller and Auditor-General at all events attributes to you, something more than that: that the Army Council "proposes to consider the question of War Accounting generally, and to furnish a report of the result to the Treasury in due course"?—

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Store Accounting in the Field—*continued.*Mr. Buchanan—*continued.*

They say, "This will be secured by the New Army Accounts Branch which is in process of formation." I think the first thing is to get your machinery, your men, and your accounting officers. We have got that; we have practically got the Department built up. Then the next step will be to frame such regulations and such method of work as by the light of the experience we have had will enable these officers to cope with the difficulties as they arise. That is the present condition of affairs. It is rather a transition condition, because we have only reached the first stage, which is creating the Department.

ACCOUNTING FOR SUPPLIES ON ACTIVE SERVICE.

Mr. Cohen.

590. (To Mr. Chalmers.) May I ask whether the covering sanction of the Treasury has yet been given to the War Office proposals referred to in paragraph 27?—It has been given within the last week.

591. The Treasury have given their sanction?—Yes, having previously inquired what were the exact steps that the War Office was going to take in future.

592. If the Treasury has sanctioned it I am satisfied. You say they have sanctioned it?—They have.

593. Now, coming to paragraph 28, we were told just now that this Committee which has been constituted, consisting of the gentlemen whose names which were given to us, have reported to the Treasury?—Yes.

594. Have the Treasury pronounced any judgment upon that report?—The Treasury was satisfied with the general findings of the Committee, and has acquiesced in the experimental working of the system by the War Office on the lines that Sir Guy Fleetwood Wilson has recently mentioned.

595. That would cover such cases as we have been discussing earlier in the afternoon about forage, would it not?—No, it would deal chiefly with deficiencies and surpluses, and the taking of stores on charge, and the chain of responsibility from one storeholder to another, so that the actual stocks that belong to the public may be traced from the time they leave the depôt until they come into the hand of the unit that wishes to use them.

596. That is as to the responsibility that would arise in respect of quantity, but not in regard to any such questions as defects in quality?—Quite so.

STOCKTAKING OF STORES UNDERGOING REPAIR.

WOOLWICH ARSENAL.

Mr. Cohen.

597. (To Sir Guy Fleetwood Wilson.) In paragraph 30 the Comptroller and Auditor-General

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Stocktaking of Stores undergoing Repairs—
Woolwich Arsenal—*continued.*Mr. Cohen—*continued.*

says, referring to the stocktakings which ended on March 31st 1904, twelve months ago: "The results of these various stocktakings have not yet been communicated to my Department." Is not twelve months a sufficient time to ascertain the results?—I think the detailed investigation has taken longer than was anticipated. The real fact of the case is, that it is extremely difficult to follow up component parts that are under repair. For instance, when a wagon has been broken up it is a very lengthy business; you have to follow each wheel or whatever it may be that is under repair.

598. We are told that the stocktaking did take place on the 31st March 1904?—Yes.

599. If the stocktaking took place then, is not March 1905, a sufficient interval to ascertain the results of it?—It is the case that the final result has not yet been arrived at. It is after the stocktaking that the main work comes in in reconciling discrepancies.

600. It takes twelve months to establish that reconciliation, does it?—Apparently it has in this case. It is undoubtedly a long period, but the difficulties are very great with articles that are broken up for repair. The real way of meeting this, in my opinion, is to accelerate the process of repair, and that, I think, is a matter that will have to be taken up.

601. Does twelve months in itself suggest that the interval was unprecedentedly long?—I quite admit that I think it was a long time.

602. Rather longer than usual?—I am not prepared to say it is longer than usual. What we really ought to aim at is getting through the repairs quicker.

STOCKTAKING AT PIMLICO.

Chairman.

603. It appears that the deficiencies referred to in paragraph 31 occurred from the length of time that elapses between the times of taking stock of cloth; are you not going to have annual stocktakings, except of cloth?—Well, you see these two cases which are alluded to here are on half a million worth of cloth; it is not a very large error in a total of half a million sterling when you come to think of the cutting of the cloth and so on. I do not think it would be worth while to take stock of everything annually.

604. How often do you take stock, we will say, of linen; is it taken at any particular time?—According to my recollection you go round taking stock, and in about three years you complete your round of the whole place. Stocktaking is always taking place, if I may so put it, and the length of time would vary a little on the amount of stores you have in hand. But it has been recognised that cloth is such a valuable article that stock ought to be taken oftener, and it will be, I understand. This discrepancy, you will remember, is on half a million sterling.

605. (To

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STORE ACCOUNTS OF THE ARMY.

ON POSTPONED PARAGRAPH 19.—
SHORT WEIGHT OF JAM.*Chairman.*

605. (To Mr. Kempe.) You were going to look into this question of jam that was postponed from last week, in order that you might say whether you thought the explanation given on behalf of the War Office was satisfactory?—I have considered the answer to the query, and I have had some more information from the War Office. I have drawn up a memorandum, as I thought it would be more convenient to the Committee if I put the thing together in as short a space as possible. Perhaps the Committee would allow me to read the memorandum I have prepared on the subject.

606. Will you please do so?—The most important point in the War Office reply is the statement that about six-sevenths of the supplies were nominal pounds, the necessary additional quantities of tins being given to make good the full weight due under the contract when this required net weight. If this statement is accepted, it changes the whole complexion of the matter, and I do not think I should have felt any difficulty in accepting the conjectural explanation given by the War Office of the short weight in the particular sale to a contractor which first attracted attention to the shortages (that is the dry-gate case, and the clerical error which is spoken of). But I feel some difficulty in reconciling the War Office statement that full contract weight was supplied by the contractors, with certain indications which I have been able to gather from the correspondence which I have had the opportunity of examining. In the first place I can find little trace of examination of the consignments on behalf of the War Office on their arrival in South Africa. Payment seems to have been made on simple proof of the receipt of the consignment. I am therefore unable to understand upon what grounds the statement is based that full weight was supplied. In the case of the consignment of 100,000 lbs. per "Vinebranch," to which the War Office refer in their reply, the discovery that the tins were nominal and not actual pounds was made accidentally at the War Office, and not by the authorities in South Africa. The contractors made a strong protest against the reduction from their contract price which was exacted on account of the shortage. The closing letter of the correspondence is signed by four contractors, and contains the following passage: "Orders have been received by Victorian, Tasmanian, and South Australian manufacturers as well as by the manufacturers of this State (that is New South Wales), and in no single instance have 1 lb. net weight tins been quoted for and supplied. Our tins are the ordinary standard 1 lb. tin of Australia. The prices we have quoted have been from 5 per cent. to 15 per cent. lower than those given to manufacturers in neighbouring States. The question of net weights has never before been raised." There is no pretence here that the full net 1 lb. was supplied. On the

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STORE ACCOUNTS OF THE ARMY.

On Postponed Paragraph 19—Short Weight of
Jam—continued.*Chairman—continued.*

contrary, it is claimed that the Australian nominal pound has been taken as the contract pound. The total weight supplied by the New South Wales contractors previously to and including the 100,000 lbs. per "Vinebranch" was 1,124,000 lbs. The whole of this appears to have been in nominal lbs. and therefore short weight from the War Office point of view, but in no other case does any reduction of price appear to have been made. The total weight supplied by all the Australian contractors up to the date of the "Vinebranch" consignment was 5,211,600 lbs. It is not known for how much of this the contract was specifically for nominal lbs.; but very little indication that it was so appears in the papers. Those are the reasons why the statement of the War Office seemed to me to be based largely upon assumption. It is, of course, possible that full value was obtained for the price paid, but I have no means of ascertaining this. That would have been the view I should have taken, but possibly put in a shorter way in the report, if I had had the answer to the query before the report was written.

607. I do not quite understand; in the contract was it specified that the tin would be weighed with it or not?—No, it was to be net.

608. Net means without the tin?—Net means without the tin. Nominal means a certain conventional size of tin. I understand that when the War Office speak of net weight, they mean the weight of jam. (Sir Guy Fleetwood Wilson.) This is so. (Mr. Kempe.) That means a pound of jam without the tin. When they speak of a nominal pound, they mean a tin that was reputed to contain a pound, but did not.

Sir Robert Mowbray.

609. You have had these actual contracts before you, I suppose?—I have had specimens of them. The correspondence is very voluminous. The War Office have been very good in supplying me with everything I wanted, but it has been impossible to go through all in the time we have had at our disposal.

610. I do not understand now whether the contracts mention the words "net weight." I rather gathered from the last paragraph of the memorandum which you have just read to us that the contractors out there, when they were found fault with, said—or one firm said—that it was the first time they had heard of anything but nominal weight, or words to that effect?—It was the New South Wales firms generally said that. The contracts, so far as I have seen, mostly provided that the jam was to be supplied in 1-lb. tins. That was generally so, I think. (Sir Guy Fleetwood Wilson.) Yes.

611. (To Mr. Kempe.) Have you seen this particular contract with these New South Wales people?—I have seen the correspondence about it.

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In this particular contract the jam was to be in tins containing 1 lb. each. That is how the contract describes what they had to supply.

612. Then the contention is on the part of the War Office that that meant 1 lb. net, and on the part of the contractors that it meant nominal 1 lb.—The War Office in their reply to us held that in this case it was intended to be a net lb., that is to say, a full pound of jam. Their answer is to the effect that in other cases where there was a deficiency it was supplied by additional quantities being given; but I hold that this correspondence does not bear that out.

Mr. Cameron Corbett.

613. If it says in 1 lb. tins, does not that mean at so much per pound, or does it say at so much per tin?—It is so much per pound; that is the expression used.

614. And that means a pound of jam?—That is the question. (*Sir Guy Fleetwood Wilson.*) They quoted for it at so much per dozen tins.

Sir Robert Mowbray.

615. (*To Sir Guy Fleetwood Wilson.*) What is the present position of the jam case; is it in dispute between the War Office and the contractors at the present time?—No.

616. The people who have bought from the War Office at the subsequent sales of the jam, complain that they have not got what they expected to get when they bought?—Yes.

617. The War Office had sold what they themselves believed they were purchasing?—The local officer had sold what he believed that stock of jam really represented.

618. Has the question been raised between the War Office and the contractors whether the contractors had in fact carried out the terms of their contract or not?—The question of the jam case is a difficult one for me to give you a very explicit answer to questions for this reason: That the method under which the jam was bought was an abnormal method, and was not the method which is adopted by the Department in making its purchases.

619. What do you mean when you say in making its purchases; do you mean purchases of other kinds?—Purchases of other kinds or of jam in England. What occurred was this: The Agents-General represented that they would be glad to furnish large consignments of jam for the use of the troops in South Africa. The Government decided to buy Colonial jam, and the process, I understand, was as follows: That the local firms cabled over what they could do it for.

620. Cabled to whom?—To the Agents-General. It is really hardly a case where you can talk of a contractor, but it seems to me if you did have a contractor at all your contractor was rather the Agent-General than the firm which sold the jam. The Colonial Government

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undertook to act as our inspecting agents in the Colonies, and we have looked to them, and we consider that they did clear for us the goods. There is no doubt that a difficulty has arisen in regard to the interpretation of the words "1 lb. tins"; but it must be borne in mind that in a great number of cases the offers made by the local jam makers were in dozen tins—dozen 1 lb. tins. In fact they really offered a tin of jam very much as a retail shop does, and there is no doubt, I think, that about 14 ounces was the recognised weight of a tin of jam in the Colonies as I believe it is in America. In some cases we got offers for net weight; in some cases we got offers for nominal weight, and in some cases we got the full weight made up by extra tins, all the tins being in themselves less than 16 ozs. I do not know if I have made that quite clear.

621. Yes. Might I ask one question there. Did you in the original deliveries get these extra numbers of pots to make up the quantities?—In some cases we did, and in some cases we did not. The jam was sent out straight to South Africa from the Colonies. It was examined and sent off in a sense by the Colonial Government, and we got then the nearest approach to vouchers sent to us. I accept as a reasonable assumption in connection with the question of weight the expression which has been used by the Comptroller and Auditor-General, because I do not think that there is evidence, which you could call legal evidence, as to the weight of these tins.

Mr. Cameron Corbett.

622. Are the tins marked by the lb.?—I do not think so. I cannot tell you. All these tins went straight to South Africa. The officer in charge no doubt accepted them in the great majority of cases as being what they represented to be.

Sir Robert Mowbray.

623. You have told me that in some cases in the original delivery, the weight which otherwise would have been short, was made up by an additional number of tins?—Yes, because in some cases they understood we interpreted the words "1-lb. tin" as meaning a pound of jam, and they said, "We do not keep that class of article, but we will give so many pots more to make up the difference."

624. In other cases, on your discovering that the number of tins did not come up to the number of lbs. which you expected to get, were there any other cases in which you made a demand and got an additional number of tins?—I think the case quoted by the Comptroller and Auditor-General is the only case. I had great difficulty to contend with in obtaining all the information which, no doubt, this Committee requires as to these cases, and I am sure they will recognise that the difficulties are genuine. The jam was sent straight to South Africa; it was bought under quite

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quite abnormal conditions, a system of buying which I frankly admit did not commend itself to the Department, but which was deliberately adopted as a good way of buying it under the circumstances. It is all ancient history now, and it is extremely difficult to trace the tins. As far as I am aware, I have not in my mind any case where an attempt was made, if I may so put it, to recover the difference except in the case that has been quoted by the Comptroller and Auditor-General, which is a case that was taken up by the Finance side of the War Office, who did then raise the question as to whether it was quite clear that the doubtful interpretation of the words "lb. tin," had not resulted in loss to us. In that particular case the Finance Department had not parted with their money, and we deliberately and intentionally held back a sum, whatever the figure was (I think it was 80*l.*), which would represent the difference. It was in view of the very strong protests that were raised, and which were upheld by the opinion we got, that this was the genuine practice of everyone out of England except in our own contracts, that we did not proceed to claim back the money in the cases where the money had been paid. In that particular case, as I say, we had got the money in hand—we had not paid the bill. It was one of the cases towards the end of the war. But what I would like the Committee to understand is that the real difficulty has arisen in this way, that we accepted offers, so to speak, through the Agents-General, rather than put out contracts. They were cabled to, for instance, "We will give you 1,000 lb. tins at so much." We said, "We accept 1,000 lb. tins"—meaning possibly in some cases a lb. of jam; it may be that the Contract Department did assume it would be a pound of jam. But they replied: "No, we never offered you a pound of jam, we offered you lb. tins." The point which I endeavoured to deal with, and it is really the important one, is whether, assuming that the weight of the tins represented 14 ounces or thereabouts (in some cases it was rather more) instead of 16 ounces, the country lost on the whole transaction at the price we paid for the jam. In view of the fact that the jam was, I think, admittedly very good jam and that the Colonial growers and manufacturers were, we knew, anxious to push their wares in South Africa and to deal with us and were ready to make up the quantity, I think we got value for our money. Indeed, in one or two cases they sent us a few more cases than they owed us.

625. Do you mean more than was required to make up the quantity?—More than was required to make up the quantity. They said: "We will throw in another dozen tins."

Sir Frederick Banbury.

626. Can you give us that contractor's name?—He is alive and in actual existence. In view

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of the fact also that the price was a little lower than what we bought at in England, I have come to the conclusion that there is really no money loss, but that we got full value for our money. But I am not prepared to say that I can put before the Committee what might be called legal evidence to the effect that there may not have been in some cases a misunderstanding as to what was implied by a 1-lb. tin.

Sir Robert Mowbray.

627. Do I not understand that you have lost money over the resales in consequence of what you have sold not having been what you thought you were selling?—Yes, that is attributable to a number of causes. We have lost, first of all, because the man offered us a higher price under the impression that he was going to get 16 ounces to the lb.

628. Your impression was that you were selling 16 ounces to the lb.?—No, the local officer had taken them on charge as lb. tins, and he said they were lb. tins; but that lot of jam may have contained, and I should think no doubt did contain, a large proportion of tins which we knew to be nominals; it may have been part of that very stock in regard to which we got extra quantities to make up for the difference between 16 ounces and 14 ounces. It does not follow that the jam was meant to be otherwise than 14 ounces to the lb.; we knew it was, but the local officer did not know it, and he sold it as 16 ounces to the lb.

629. But still you have had to bear the loss?—I think, as we knew that they were 14 ounces to the lb., it can hardly be said that we bore the loss on that because we ought never to have had the full price.

630. But you have borne the loss in the sense of refunding the additional price paid to you for what you did not really sell?—Yes, if you call that a loss. But there is more than that in it; there is the difference in weight between a reputed lb. and the 12 ounces which some of these tins undoubtedly held. In regard to that I can only give you what is the opinion of the General Officer Commanding in South Africa, and of people who have served in South Africa, and give the assurance that the climatic effect on the jam is that the sugar crystallizes, and it loses weight. I am afraid I cannot give you either scientific or legal evidence that that is so. That it is the case that very often if you opened a tin of jam in South Africa you found a crust of sugar and a sort of depression, I can testify to myself.

Sir Frederick Banbury.

631. That does not arise because there is no jam in the tin?—The tin does not become empty; there is only a difference of 2 ounces; it is a little depression.

623. So

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Sir Robert Mowbray.

632. So far as you were purchasers you have great difficulty in fixing any responsibility because these arrangements (I will not call them contracts) were made very much like the arrangements we have heard of with regard to the oats, and there is difficulty in fixing any person with the responsibility?—Undoubtedly the process which was adopted in the purchase of this jam was not safeguarded with all the safeguards which we look to when we make our normal contracts at home in England. It was decided to buy Colonial jam, and it was decided to look to the Colonial Government to act as our inspectors, and it was decided to practically treat the Agents-General as our contractors, if I may so put it. That is the situation, I think; that is the plain and straightforward statement of the case which I am trying to give you, and I do not think there is much more to be said upon it so far as I am concerned.

633. That is your position so far as you were purchasers?—Yes.

634. So far as you were sellers you say they were sold by the local authority there?—By one officer, I think.

635. And possibly without sufficient care as to the statement which he made as to what he was selling?—I do not know who the officer was; he was the officer who held these on charge; but I would hardly like to say that, because after all he did not do more or less than we did ourselves. He took it for granted that they were one thing, and we have had to take for granted that they were one thing also. He said: "They are lb. tins, who would like to buy them?" and Messrs. Trott Brothers, of Durban, offered us 4s. 6d. per 48 lbs., and bought at that rate.

636. Then you do not really draw any distinction between your local officer and yourselves in the matter?—I think, if we had been selling there ourselves, having the knowledge we possess and all this having occurred, we certainly would have intimated that they were nominal weights. The local officer did the best he could for his Department. He said: "Here is a lb. of jam, what will you give for it?" That is really what occurred. I think, if anything, he did his best to bring in more money into the till.

Mr. Goddard.

637. You said that these contractors were all colonials?—I would rather you call them manufacturers, because I do not think it is quite fair to call them contractors.

638. You said that these manufacturers were all colonials?—Yes; it was all Colonial jam.

639. You think there was no doubt about that?—No.

640. There was no possibility of any English jam being sent to fill up?—I do not think so. We bought a great deal of jam here, but I think this was a perfectly genuine and *bonâ-fide* transaction, and I think it was all Colonial jam.

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641. You did buy English jam as well?—Yes.

642. I suppose you bought that on a contract form?—I have no doubt the Contract Branch bought that with all the safeguards which guide them in making purchases at home.

643. I suppose that contract would state in it what you expected to get?—Yes. I think I am correct in saying in regard to all our English bought jam, it is asked for as 1 lb. of jam net weight, and as contracted for delivery as one pound of jam. I am sure that is so.

644. When you were making these contracts with these colonial manufacturers, who were new manufacturers to you, did you not send one of your ordinary contract forms?—We did not make the contracts—I mean that was done for us through the Agents-General.

645. Precisely; that will answer my purpose. What I want to get at is this: I suppose you would send to the Agents-General the form of contract on which you generally bought this sort of thing?—It did not take that form. In most cases they would cable from the colony, "We can furnish you," or "our manufacturers can furnish you with 500,000 1-lb. tins of jam." We wanted the jam, and we accepted that offer, trusting to the Colonial Government to see that what was offered was received. In some cases they did state nominal weight; in some cases they undertook to give net weight; and in some cases, I may say, for I want to be frank with the Committee, the impression left upon my mind is that there was a doubt. It can hardly be held, I think, by anyone who has been through the papers, that there was an attempt on the part of the manufacturers to give other than what they had meant to offer. The trade practice is to sell in nominal weights, and they had this stuff and simply sold it as they had got it, so to speak. We looked to the Colonial Government to see that where they had given us a deliberate and distinct offer of net weight we should get the net weight; and where we got an offer of nominal, we should get nominal. In some cases I think there may be a little doubt as to whether the question was gone into at all.

646. Then I do understand you were aware that there was a difference when you bought this jam—that some were nominal and some were actual pounds?—We knew in some cases they were nominals, and in some cases the weight was made up by an additional number of nominal tins.

647. It was not revealed to you for the first time when you resold a tin?—No, we knew before; indeed, in one case we specially raised the point in the Finance Branch as to whether this was what had been intended; but I think the contracts, or I will not call them contracts, but the offers themselves were in nominals in many cases.

648. Yes, I suppose now you have found that out. That apparently came to light when you had to find an explanation for the difference?—No, we accepted the offer in many cases of nominals
which

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which was made in nominals, and we accepted it in pounds in many cases.

649. You realised that when the tins of jam were delivered in South Africa?—No, in many cases we realised, I think I may say, what we were buying by the offers we received from the selling people. The offers varied, and the acceptances varied. I am not defending the system, I am trying to explain to you what happened.

650. You spoke just now of the difficulty in regard to calling it a one-pound tin?—Yes.

651. When you bought what was called a one-pound tin, you supposed you were getting one pound of jam in the tin according to your usual practice?—I think in some cases they actually mentioned the word "nominal," and in those cases we should know they were nominals.

652. Did they mention the word "nominal"?—Yes, I think so. I frankly admit that a difficulty has arisen to my mind over the interpretation of the 1-lb. tin. When you asked me whether in every case we knew exactly that they meant a nominal pound, I am not prepared to say that, but there are cases in which they offered and were accepted in nominals.

653. I may take it, it was not the question of resale that revealed this deficiency in weight to you?—It was not.

654. There was a claim made upon you when you resold?—That case was anterior to this. The actual invoices, which I alluded to just now as vouchers, if I may so call them, did give the weights of the tins.

655. Following that for a moment, may I ask one other question: Was there any check weight upon the arrival of these things in South Africa?—I am not satisfied that there was more than a rough and ready check weight—I do not think each tin was weighed, if that is what you mean.

656. I did not suppose that would be done; that would be an endless job; but supposing you took a gross of tins, or a hundred tins, whatever the number put up was—roughly speaking a hundred tins should weigh a hundred lbs. with some surplusage for the weight of the tins?—Yes, that is so; but I should think it is most likely with the enormous pressure of work that there was, at Durban for instance, they would be satisfied to count the tins and take them on the note that would come with them.

656.* And not weigh them at all?—I cannot tell you what they actually did.

657. What I am driving at is this: You were aware that there was a difference in these tins, that some of them were nominal?—We were aware of that.

658. And there were some that were actually one pound weight of jam. Surely that was an additional reason for a check weight on arrival in order to detect the difference, because you did not know which was which until you checked the weight?—But what happened was this: the responsibility for checking these tins as being what they represented to be was vested in the local

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government of the Colony. From the moment they passed them we were satisfied.

659. That would be Australia?—Australia, Tasmania, or New South Wales, as the case might be.

660. That is where they were sent off. I am speaking of where they were received?—I should say we should consider, and probably the recipient in South Africa would consider, that the question of quality and weight was covered by the inspection of the Government that put them on board ship who was acting for us. He would probably be satisfied with taking the number of cases and so on on arrival. I hope one can do it in peace time, but in war time it would be extremely difficult to insist in all cases that the receiving officer should be responsible for the exact weight.

661. It is done automatically in the case of coal, for instance—all coal received is weighed as it comes in?—Not necessarily in war time.

662. Surely it is all landed in bags and weighed—there is no question about that—it is the usual custom of the port?—It is not the custom of the port in war time, I think; you have to take the goods as best you can in war time. What I want to make clear is this: the invoices were sent to us by the Agents-General. Those invoices gave the weight in almost every case of the tins (therefore there was no deception in the matter, and we knew what we got), coupled with prices, which appeared to be fair prices for the weights given. That these tins did contain the weight specified in the invoices we look to the Colonial Government as our inspecting agents to make sure of.

663. Do you know at all how many tins were given over and above the quantity to make up the loss of weight?—I do not know that I can give you the whole weight. The necessary surplus, as a rule, was given to make up the deficiency. For instance, I have a case here of 224,000lbs.; assuming there was a shortage on the delivery of that 224,000lbs., a sufficient number of extra tins would be put in to make up the difference, because the understanding in that particular case was that we were to get net weight, and the only way they could give us the net weight was by giving us so many extra nominal tins.

664. Was the average weight of the tin itself known—I mean the tare?—I cannot tell you that except this: it is not the trade practice to make the tin and its contents represent one pound.

665. What I am asking is the weight of the tin without anything in it?—I should say it would be about 2 ounces or 1½ ounce, because that is the difference between the pound and the weight of the jam inside—I should think the practice would be to make the tin and the stuff inside 1lb. Therefore if you allowed 14½ ounces for the jam the balance would represent the weight of the tin.

666. That would not be the practice in this country

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country. If you buy a pound of jam you do not include the weight of the tin?—You may remember the case of tea which came before the Courts. It was precisely that case. The package and the string were thrown into the pound.

667. There have been cases of prosecutions in regard to sugar where the paper was too heavy. Still less would they be allowed to charge for the tin, which would be heavier?—It is the practice in civil life, however, I understand.

668. One question about the cases of shortage where the jam was only 12 ounces—these tins were hermetically sealed, were they not?—I believe they were supposed to be hermetically sealed, but if you ask me whether we know or whether we can contend that they were hermetically sealed in the scientific sense of the word, I do not know that we can. They were ordinarily closed soldered tins.

669. I should have thought that would have been stated on the contract; but you say there was no contract. I should have thought it would have been stated in the form of agreement how they were to be packed?—We did in our acceptances of these offers lay down as many conditions as possible, and, amongst other conditions, we did say, "To be delivered in hermetically closed tins"; but whether they were so or not (which is the question you put to me) would rest with the inspecting officer. If it were at home here I could ask the inspecting officer or bring him here to give evidence. But in this case it was the Colonial Government who undertook to pass these goods for us, and what they considered they were bound to do, or what they actually did in the way of the inspection, I am afraid I cannot tell you.

670. Supposing 14 ounces of jam were put into a hermetically sealed tin, though it might alter its form and become crystallised, that would not alter its weight, would it?—I should think losing moisture would lighten it.

671. How could the weight get out? It must always be there, must it not?—We are getting now on to a technical subject which I am not prepared to discuss. If you hermetically seal a vessel of any sort, obviously nothing can escape from it, but if you have what is known in the trade as a hermetically sealed tin, the probability is that there would be a certain escape from it.

672. I asked the question because that is one of the reasons given for the shortage?—Yes; but I have not for a moment presumed to put before the Committee that reason as one which we can defend, except on the basis of the general consensus of opinion in regard to it. There is no scientific and there is no legal evidence, so to speak, which I have in my possession which I can put before you on the point.

673. Who represented the War Office in buying this jam?—The Agents-General.

674. They represented the Colony, did they not?—They represented us, so to speak, in that way.

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Mr. Goddard—continued.

675. But there was someone on your behalf?—You mean in the War Office?

676. Yes?—That would be the Director of Contracts.

677. It would be possible for us to have him here, I presume?—It was Sir Alfred Major, who has since retired.

678. We could have him here, I suppose?—No doubt he would come if the Committee wish it.

679. He is the man who could most correctly speak as to what was understood by those different persons?—Yes; he has left the Service, but no doubt he would be at your disposal if you wished to see him.

Mr. Pym.

680. As you told us, you knew that some of these people who sold you this jam were fully aware that these tins did not hold a pound of jam, and they made up for that by giving you extra tins to make up?—In some cases where we had specifically stated that, we understood their offer to mean net.

681. You knew also that in other cases they were nominal pound tins?—Yes.

682. What I wanted to ask is this: did they give the same price for these nominal tins, which did not represent a pound of jam, as they did per pound in the other cases?—No, I should think they did not. Every offer was considered on its merits, and accepted or not.

683. It is a very important question?—It is. I can give you a case in regard to Tasmania, for instance, which I think answers your question. We bought 200,000 tins in Tasmania at 3s. 3d. per dozen 1lb. tins. That is the expression we used. We also in Tasmania bought from another manufacturer 100,000lbs. in tins containing 1lb. net jam, and they were 3s. 6d. per dozen; so that that would be 3d. difference per dozen.

684. 3d. more for the extra weight?—For the net weight—for the full weight. So that I think it is quite evident there would be a difference.

685. You think that would be the fair difference in price between the two?—I cannot tell you that.

Sir Frederick Banbury.

686. The difference in weight would represent a sixth part—that would be 6d., not 3d.?—I cannot defend the prices paid for the jams, because that has nothing to do with me. What I understood your question to be was whether we paid the same price in each case. The instance I have given would point to the fact that we did not, and that we paid less in the case where it was nominal than in the case where it was not.

687. But only a very small amount?—Again, the comparison is vitiated by the fact that I do not know what particular jam this was, and I believe jam varies in price according to the nature of the jam.

688. I

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688. I should not think that would be so when you buy in large quantities?—I think it would, but I do not know.

Mr. *Pym.*

689. As regards the sale of this jam, I see in the second sub-paragraph of paragraph 19 of the Report, the Comptroller and Auditor-General says: "As 1,350,816 of these tins were held on charge as containing 1 lb. of jam each, it became necessary to write off charge 337,704 lbs. in respect of the short weight of 4 ounces in each tin." You will observe there it is 4 ounces?—Yes, that is because there was 2 ounces shrinkage.

690. That is from the shrinkage, is it?—Yes, but again I say I am not prepared to tell this Committee from my own knowledge that it is attributable to shrinkage—I can only view this matter as Accounting Officer. The officers concerned in the purchase are those who are responsible for the jam; but I am assured that that is the view held generally—that it is attributable to shrinkage.

691. Are we to understand from this paragraph that this sale was made, and that then the contractor made out that there was a shrinkage of 4 oz. in each tin, and you gave back to him the amount of money that represented that shrinkage?—I do not think the money crossed hands, but we modified his offer. When I say that, you must remember that, of course, is a paragraph which does not belong to me. I suppose that is what the Comptroller and Auditor-General means. (Mr. *Kempe.*) Yes.

Mr. *Goddard.*

692. You said the price of Colonial jam was less than of English jam?—A little less, I am informed.

693. What was the price?—I am informed that the prices of English jam which we gave were from 3s. 7d. to 3s. 10d., and the Colonial prices are rather less than that; they vary—

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3s. 3d., 3s. 6d., and so on. I should say generally they were admittedly less than the recognised English prices; and the Colonial prices also included freight.

Mr. *Cameron Corbett.*

694. I think you said this mode of purchasing did not commend itself to the Department; by whom was this mode of purchasing recommended?—It was deliberately decided by the Government to give the Colonies a share in the supply of the jam and other things supplied to the South African Army. As you know, they had got large forces of their own there.

695. When you had the jam quoted as being in these nominal 1-lb. tins, did you ascertain how many ounces the nominal tin was?—The invoices showed that. We looked to the Colonial Government to see that the invoice and the jam coincided, so to speak.

696. When you found the weight was down to 12 ounces when it was being resold, was any inquiry then made through the Agents-General as to whether they had taken precautions in the way of weighing it?—No, I think the main inquiry was conducted in South Africa, and the opinion expressed by the General Officer Commanding was that it was reasonable to attribute the difference to the climatic effect.

697. Would it not have been desirable then to have made inquiries as to whether any precautions had been taken as to weighing it in Australia?—That would not help us. From the moment we had looked to the Colonial Government to satisfy themselves that these weights were correct, and they had passed these goods as correct, I think it would hardly be possible to go back upon the word of the Colonial Government. We had the assurance in the very fact that they had sent these goods as of this quality and weight, so far as I understand. I am not aware that any representation was made, but I do not think I should have recommended any representations being made.

Friday, 14th April 1905.

MEMBERS PRESENT:

| | |
|------------------------|----------------------|
| Sir Arthur Hayter. | Mr. Goddard. |
| Sir Frederick Banbury. | Sir Brampton Gurdon. |
| Mr. Victor Cavendish. | Mr. Herbert Lewis. |
| Mr. Cohen. | Mr. Pym. |

SIR ARTHUR HAYTER, IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in; and Examined.

STORE ACCOUNTS OF THE ARMY.

SUPPLY ACCOUNTS.

Sir GUY D. A. FLEETWOOD WILSON, C.B., called in; and Examined.

Chairman.

698. Have you prepared the further documents relating to the "Emergency Rations"?—I have endeavoured to comply with the instructions of the Committee, as I understood them, in regard to the documents which were required in the Maconochie case. I have just got them completed, and I will hand them to the clerk. The Committee will no doubt appreciate the difficulty of making a perfect collection from the very very large number of documents which cover a very large number of transactions—very often on the same paper—in regard to various contracts. The cases stated for the Law Officers, which I have included in accordance with your instructions, refer to many documents besides what are in this collection; but I understood that the Committee would ask for any special Papers which they thought they might require, and to which allusion is made in the collection.

699. Do you include, in the Paper you put in, the case you presented to the Law Officers?—Yes, that is what I mean.

700. And any letters which were alluded to in the former Paper that you put in?—Yes, it is complete, as far as I can understand.

701. That is all we require?—This is it. (*The document was handed in.*)

CONDEMNED FORAGE.

702. Then I think you wish to modify some statement made by you on Friday last?—Yes. I would like, if I may, to modify the evidence which I gave last time in regard to the Oats, to this effect:—The modification does not affect the

Condemned Forage—*continued.*

Chairman—continued.

principle of the responsibility of the Colonial Governments for inspection. The actual case was this, that some of the orders for New Zealand oats were placed with the Agents-General in 1900 and 1901, but the 1902 contracts, which were under review last time, I find were not in that class; they were placed with London firms, who made the necessary arrangements with shippers and shipowners; and I have brought you three copies as specimens of the contracts referred to. I understood the Committee would like to have them. In every case the Colonial oats were inspected by the Colonial Governments. Shall I hand that in to you, Sir,

703. Yes, please. That is in relation to Question 464?—Yes, I think it is Question 464. The only other point which remains, upon which you desired me to furnish more information, is, "The method of carrying out sales." I have got a short memorandum upon that subject, which I can either read or hand in.

704. Will you read it, please?—"The Method of carrying out sales.—The question of selling surplus or condemned stores by other than the regulation methods of auction or open tender does not practically arise in peace time, but it was decided that in any instance where sale by private treaty was held by local authorities to be more advantageous to the public, it would be necessary to have the previous concurrence of the Director of Contracts and the Financial Secretary or his representative. Treasury concurrence

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[Continued.]

STORE ACCOUNTS OF THE ARMY.

Condemned Forage—*continued.*

Chairman—*continued.*

rence was given to this in 1895. Owing to the adoption of the principle of decentralisation, it is now proposed to modify this rule by providing that sales by private treaty will not be made without the sanction of the General Officer Commanding, and that a special report of the circumstances attending such transactions will be attached to the accounts. These accounts will be examined by my representative, and an opportunity will thus be afforded of drawing attention to any transactions which may appear in any respect undesirable. As regards the sales that were necessary owing to the war, these were at first carried out by a Sales Department, specially organised by Lord Kitchener, which worked under the method of auction or open tender. When it was found that this Department was unable to obtain sufficient satisfactory offers to meet the requirements of the case, the Department was given up and other methods adopted. Some of the results are now under investigation by Sir W. Butler's Committee, and before proposing to issue regulations specially adapted for war conditions, I think it is desirable to await the Report of that Committee (Sir William Butler's), and remarks of the Public Accounts Committee upon it."

ARMY APPROPRIATION ACCOUNT.

705. (To Mr. *Kempe*) You have divided your report into two, as I see, part being the normal, and part being the African expenses?—Yes.

706. (To Sir *Guy Fleetwood Wilson*) I will just take you through the figures. The sum voted on the Ordinary and Supplemental Estimates for Army purposes was 43,749,489*l.*, and the Expenditure was 43,435,120*l.* 12*s.* 7*d.*, leaving a sum less than the Estimate of 314,368*l.* 7*s.* 5*d.*?—That is so.

707. Then there was a deficit on the Appropriations in Aid of 97,948*l.* 8*s.* 7*d.*, reducing the surplus to 216,419*l.* 18*s.* 10*d.*?—Yes.

708. That is correct, is it?—Yes, that is correct.

VARIATIONS BETWEEN ESTIMATED AND ACTUAL RECEIPTS UNDER APPROPRIATIONS IN AID.

709. With regard to paragraph 3, you observe the criticism of the Comptroller and Auditor-General. Do you conceive that it would be possible to divide the Estimates according to their various Votes as well as the receipts? You see, he says the Estimates are shown in a lump sum, and that the Receipts appropriated in aid are distributed under separate items. It is impossible to compare whether the Estimates and the Receipts bear correct proportions?—To do that completely would practically mean to revise and reissue the Estimates for the year. I think that the Committee will realise that for the Somali-land Estimate (which was really the first Estimate I had to place before the House) the amount of detailed information is largely, I think I may say, in excess of what has hitherto as a rule been furnished in connection with Estimates, and I

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ARMY APPROPRIATION ACCOUNT.

Variations between Estimated and Actual Receipts under Appropriations in Aid—*cont.*

Chairman—*continued.*

think that possibly that will meet the main part of the point raised by the Comptroller and Auditor-General.

710. (To Mr. *Kempe*.) You do not see any particular object in going into and apportioning all these estimates to their separate votes, do you?—For the information of Parliament we thought it of importance. (Sir *Guy Fleetwood Wilson*.) The detail which we have given is on the recognised lines. I am not sure that in some cases we have not even gone beyond the practice adopted by the Admiralty, which I understand has met with the approval of the Comptroller and Auditor-General, and of Parliament.

NEW SUB-HEADS INTRODUCED IN 1903-4.

Chairman.

711-12. There is nothing in paragraph 4. With regard to paragraph 5, I wish to ask a few questions—one is with respect to the infected blankets, for which 2,794*l.* 8*s.* 2*d.* was paid. Do I understand that the number of blankets that came down to be returned was so large that they could not wash them and properly take care of them? What I wish to know is whether there were such numbers of blankets sent down that it was quite impossible to have any proper inspection of them, or what is the reason why the infected blankets were sold and sent about?—I think it was an error of judgment to do so. If you turn to page 180 you will find a letter from the War Office to the Secretary of the Treasury, stating exactly what happened. No doubt the large number of blankets was one of the causes which led to their not being inspected.

713. Then were the officers who sold them exonerated from any fault?—It was necessary to get rid of those blankets and get them away on account of the risk which is alluded to, and I think that it was mainly with a desire to realise money rather than to destroy that this sale was effected. I think it was simply an error of judgment based upon a desire to do the best to bring some money into the Public Exchequer.

714. Is it fair for an officer to say in one sentence that "a note of the circumstances has been made in their confidential records" for their "making any departure from the regulated procedure," and then in the next sentence to say, "The Army Council are, however, satisfied that under the very exceptional circumstances these officers acted to the best of their judgment in the interest of the Public Service"?—I think what is meant by that is that although they did make what may be termed a mistake, they made it with the best intentions; and the circumstances in connection with any case of this sort would be noted, I presume, both for and against the officers.

715. Then did the gentleman who bought the blankets not know of the state they were in?—I am not in a position to answer you authori-
tatively

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Sir G. D. A. F. WILSON, C.B.

ARMY APPROPRIATION ACCOUNT.

New Sub-heads Introduced in 1903-4—cont.

Chairman—continued.

tatively, but I can hardly think that he would know, because if the officers selling the blankets had known they would not have sold them.

716. The total loss was 2,794*l.*, was it not?—Yes.

Mr. Goddard.

716. Why were such large stocks allowed to accumulate?—They were blankets which were required during the War, but which were no longer required on demobilisation. The stock no doubt was wanted during the military operations, but at the end of them they became surplus and, as is stated in the letter, these very large stores of blankets—which no doubt had got wet—fired, and it was very important to get rid of them very quickly; and that no doubt led to full consideration not being given to their condition.

718. Was not the very fact of these blankets being in a condition to give rise to spontaneous combustion a reason for not selling them?—No.

719. It was a danger to the people who bought them, was it not?—Oh, no. They would give rise to danger if kept stacked, as hay will if it is stacked, if it heats, but if you spread it about it will not fire. I apprehend that the danger of fire arose mainly because the blankets were stacked in a damp condition, and spontaneous combustion might set up inside a great stack.

720. Was there no possibility of increasing the staff for the purpose of washing them and dealing with them?—I should think not, under these conditions. When demobilisation took place there was more in the way of all kinds of stores than could be dealt with rapidly and satisfactorily. Time was an object from the moment the war ceased.

721. It is evident now that what you made by selling them was a trivial matter compared with the danger of spreading fever?—Yes. I have already indicated that I think it was an error of judgment to sell them. If there had been any idea in the minds of those who sold them that they were in this state, I do not think they would have done it; but I do not think that even they were in a position to know all about the blankets; they came from every part of the country.

Chairman.

722. Did not the Law Officers of the Crown hold that there was no doubt that we should have to pay for any loss, although it was reduced as much as possible?—The matter was referred to, and we acted in accordance with the opinion of the Law Officers.

Mr. Goddard.

723. I notice this item of "China Expeditionary Force, 5,721*l.* 12*s.* 7*d.*" What was the nature of this force; what was its object?—The relief of Pekin—of the Legations. You remember the Legations were besieged.

724. Yes, but there is money being spent now;

ARMY APPROPRIATION ACCOUNT.

New Sub-heads Introduced in 1903-4—cont.

Mr. Goddard—continued.

money has been spent long since then?—There is a small permanent garrison there to protect them. This was an expeditionary force which was sent to relieve them.

725. I see the War Office wrote to the Treasury mentioning the anticipated engineering expenditure on the North China garrison?—Yes.

726. They stated that this special estimate would amount to 1,000*l.* a month?—Yes.

727. And they asked permission to meet that expenditure. The Treasury asked for details, and got a statement showing certain items, nine of them, I see) on account of Pekin and Tientsin, varying from 21*l.* for the upkeep of penetrable targets to 5,770*l.* for barrack incidentals. Then the Treasury replied saying they did not understand why previous sanction was not obtained at least the larger items, and that the General Officer Commanding must be informed that he must not "exceed the sum which may be allotted to him from Army Votes" without previous sanction. Has any answer been made to this?—You will find that the next letter, No. 82, will deal with that.

728. Who was the General Officer Commanding?—I really forget at this moment which of the two it was—it was either Gaselee or Ventris; I cannot say straight off.

729. The total expenditure on this service has amounted to 114,500*l.*, has it not? It is in the Treasury letter?—About 112,000*l.*, I think.

730. Has it been made now quite clear that such an enormous number of new works are not to be allowed to be started, and old ones extended, so as to commit the War Office to this increased expenditure without first getting sanction?—Whatever is required now is taken on the Estimates year by year. The point was raised by the Secretary of State this year in connection with the Estimates, and I think it was made perfectly clear that every item of expenditure would have to be defended, so to speak, and nothing was to be embarked upon which would lead to uncontrolled expenditure.

731. It is a little intimated in the correspondence with the Treasury that this officer, whoever he was, has gone on spending just as if he thought he might get sanction after he had spent the money. I only want to make it clear?—I do not think that will occur again, if it did occur. He found himself face to face with a difficult situation after fighting with the condition the buildings were in and so forth. That will not arise again. Proper estimates have to be sent home now before expenditure can be incurred.

732. This expenditure has been incurred some considerable time after those events to which you allude?—Yes.

733. It was not immediate on the action of the expedition?—No; but he was placed in command, and thought no doubt that the best must be done, and perhaps went ahead; but in future,

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[Continued.]

ARMY APPROPRIATION ACCOUNT.

--New Sub-heads Introduced in 1903-4--cont.

Mr. *Goddard*—continued.

as I say, the money is to be given each year in the Estimates—whatever will be required—and therefore will be not only watched but controlled.

733*. Who is to provide that estimate?—The estimate would, like all other estimates from out stations, be sent in and examined here, and would be reviewed before it was granted.

734. Is there any check placed upon the Commanding Officer as to the amount of the estimates he sends in? What means have you of checking them?—As to those, we have the means which we have in regard to all estimates, which is to call upon whoever puts forward the estimate to make his case good. He has got to show that he actually requires that money; and any question of principle involved would be dealt with at headquarters.

735. A good deal of this money really was expended on new barracks, was it not?—On buildings, I should say—most of it.

736. 2,500*l.* on new and improved barracks?—Yes, that is given in the letter.

737. Was that incident to the outbreak? Were the barracks destroyed?—I presume the answer would be that it was considered necessary for the healthy and proper occupation of these barracks, which were required for the troops, to put them in a proper state if they required it; but, as I say, in future, this, like all other estimates for works, will come under review when the estimate is sent in; and it has been so this year. I was present when the estimate was discussed.

INDIAN AND COLONIAL CONTRIBUTIONS.
INDIA—HOME EFFECTIVE.

DEFERRED PAY AND GRATUITIES. ESTIMATED
AND ACTUAL RECEIPTS, 1903-4.

Chairman.

738. Paragraph 6. The reason for this great shrinkage in Appropriations in Aid in the case of India appears to arise from the fact that Deferred Pay has been given up; and on its gradual disappearance a much less sum was required than was supposed to be?—That was so.

Sir Brampton Gurdon.

739. Was it not on account of the large amount of surplus that you had of Deferred Pay in 1903-4 that you took an insufficient estimate for 1904-5?—There was a great falling off in Deferred Pay. You will find the explanation of that under Vote 1 on page 19.

740. It is, is it not, because the Vote appears to be so uncertain that in the next year you under-estimate?—It is extremely difficult to estimate that Vote; it depends so much upon the men extending or not.
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ARMY APPROPRIATION ACCOUNT.

CHARGES OTHER THAN DEFERRED PAY AND
GRATUITIES. ESTIMATED AND ACTUAL RE-
CEIPTS, 1903-4.

Chairman.

741. Paragraph 7. This is merely an estimate which was thrown out because, in fact, 70,240*l.* was an outstanding balance of the preceding year which was added on?—Yes.

742. Nobody could help that, and therefore that makes up the whole sum of 395,000*l.* for everything of the Home Effective charges other than Deferred Pay and Gratuities?—Yes, that is so.

CLEARANCE OF 1902-3 SUSPENSE ACCOUNT.

743. (To Mr. *Kempe*.) Paragraph 8, I do not quite understand. In your paragraph it appears as if the shrinkage on the Deferred Pay had some operation on Gratuities, but the Gratuities and Deferred Pay are different things, are they not? The 85,000*l.* you say has been refunded to India because it was found that there was such a shrinkage, as I understand it, on Deferred Pay?—It is an adjustment in account. The shrinkage is referred to in explanation of the way the sum is arrived at. We owed India more than India owed us, and therefore the balance was refunded to India. Instead of receiving anything we repaid 85,000*l.*

INDIA—NON-EFFECTIVE.

744. (To Sir *Guy Fleetwood Wilson*.) Paragraph 9. The total of these non-effective charges for the regular forces serving in India appears as 885,700*l.* Of course, that is divided between the Vote for the officers and the Vote for the men—14 and 15—but who is it pays there? Is that our proportion—238,351*l.*? Who paid that—the National Debt Commissioners?—The National Debt Commissioners pay yearly sums representing the pension charge of the year covered by the Indian capitalisation of 1870 to 1884, and the repayment to Army funds consists of two parts—the amount payable by the National Debt Commissioners and the amount payable by the Indian Government on account of their share of pensions granted after that year 1884.

745. Then the National Debt Commissioners' payment is really a liability from India?—Yes, that is, I think, correct.

CONTRIBUTIONS FROM COLONIES FOR BRITISH
TROOPS.

Mr. Herbert Lewis.

746. "The authorised contributions of 22,000*l.*," will that be in any way affected by the recent decision of the Canadian Government?—Yes; the decision as at present advised is that from July 1st, 1905, they undertake to provide garrisons for Halifax and Esquimaux until

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[Continued.]

ARMY APPROPRIATION ACCOUNT.

Contributions from Colonies for British Troop
—continued.

Mr. Herbert Lewis—continued.

until such time as they can be replaced by Canadian troops. The exact financial arrangements have not been elaborated, but that is the agreement.

Chairman.

747. Is not 170,000*l.* taken in aid of the Army Votes this year on account of garrisons at Esquimaux and Halifax?—Yes, it is.

748. That will be paid by them?—The difference will be adjusted. Up to July 1st we are liable, and after July 1st they will be liable according to the present arrangement.

749. Still, you estimate that they will pay 170,000*l.* in the course of the year?—That is right.

Mr. Herbert Lewis.

750. What is the explanation with reference to the contribution of 5,000*l.* from Sierra Leone?—That is an instalment of a repayment of the cost of military operations in the Protectorate in 1898-1899.

751. Did the Colony undertake to pay 25,000*l.*?—The whole of the outstanding balance of this debt has now been paid by the Colony, and will be brought to credit in 1904-5.

752. Do you remember what the total cost of the expedition was?—About 45,000*l.*

Mr. Cohen.

753. Is any interest paid? The repayment of the sum of 25,000*l.* by Sierra Leone has been prolonged over a much longer period than was originally anticipated either by them or by ourselves, has it not?—No; no interest has been paid. We are very glad to get the money.

Mr. Herbert Lewis.

754. Was the whole cost paid by them?—Yes; they have paid 25,000*l.* as a final instalment.

755. That 25,000*l.* is the balance, I take it, or does the 25,000*l.* mean that that is the whole of the debt?—The whole outstanding portion.

CONTRIBUTION FROM EGYPT FOR BRITISH TROOPS.

Chairman.

756. Paragraph 12. This contribution from Egypt has now been raised from 87,000*l.* to 100,000*l.*, has it not?—Yes.

757. Is that 100,000*l.* supposed to represent the extra cost of troops in Egypt?—Approximately it represents the whole extra cost. It has been recently reduced; the garrison has been reduced.

758. The whole cost of the garrison is 304,000*l.*, is it not?—Yes, but we bear what we should have to pay for the troops if at home; and this is the extra cost of being in Egypt.

ARMY APPROPRIATION ACCOUNT.

Contribution from Egypt for British Troops—
continued.

Chairman—continued.

759. May I ask who made the arrangement—was it made by the Foreign Office and Lord Cromer, or was it made by the War Office at home?—It was an arrangement arrived at by the Government.

760. You do not know by which office, do you? It was arrived at jointly with the Foreign Office, the War Office, the Treasury and Egypt.

761. (To Mr. Chalmers.) Do you know if it is intended to repay to Egypt?—I am not aware of any such intention.

762. That has not been contemplated?—Not that I am aware of.

763. Who originated this change this year?—I think I may say the Treasury originated it.

764. I suppose there was some representation from Lord Cromer which led to the decrease of the garrison, was not there?—There were conferences between His Majesty's Government and Lord Cromer upon the subject, and the decrease of the garrison and the increase of the contribution were the results of those conferences.

ON VOTE A.

COMPARISON OF THE ADJUTANT-GENERAL'S RETURNS AND PAPER NO. 11, PAGE 128, OF THE APPROPRIATION ACCOUNT WITH VOTE A, PAGE 10, OF THE ARMY ESTIMATES.

765. (To Sir Guy Fleetwood Wilson.) I suppose there are always variations in the forces, are there not? You do not stop recruiting?—Of course, the Somaliland Expedition and the South African Wars affected the question of the establishment.

766. And yet you see in the last paragraph but one that during the whole of the year the number of effectives is considerably less than the number for which provision was made. Is that taking into account the 14,200 for South Africa and for Somaliland?—Yes, the trooping season, as you know, affects the question a good deal. There are troops at sea a considerable portion of the time when the establishment is in excess.

STRENGTH OF EACH ARM OF THE SERVICE.

767. In paragraph 14 it is said that the Horse Artillery was over-established for eleven months, and the Cavalry and the Royal Artillery for the whole year. Is that the case now? Are those arms entirely full and recruiting not open for them?—We have reopened recruiting for the Cavalry.

Sir Frederick Banbury.

768. The Cavalry is pretty full as a matter of fact, is it not?—Yes, we never have much difficulty in obtaining recruits for the Cavalry.

769. Paragraph

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[Continued.]

ARMY APPROPRIATION ACCOUNT.

NORMAL EXPENDITURE.

DECENTRALISATION OF ARMY ACCOUNTS.

Chairman.

769. Paragraph 15. (To Mr. Kempe.) When this was written the new system of accounting had not come into force, had it?—No.

770. Therefore you observe no change had begun then?—No, we had nothing to report upon.

771. But it has begun now, has it not?—It has, I believe, partially begun. Yes. (Sir Guy Fleetwood Wilson.) I may mention that it was on the question really of personnel and terms of service of the new Accounts Department, and especially the accommodation required for the new localised examination of the accounts that it was not until the 1st February of this year that a start was made at Aldershot; and I may mention that throughout we have been in advance of what I may call the military accommodation that could be supplied. They had to find us quarters. We have always been ready to go into them when the quarters could be found, but I think I may say that I have every hope that the system will be established throughout the United Kingdom on the first of next month.

NEW SCHEME OF EXAMINATION AND REORGANISATION OF ARMY FINANCE DEPARTMENT.

772. Apparently the Comptroller and Auditor-General thinks that will not diminish your responsibility for the whole expenditure contained in the Army Appropriation Account?—With regard to that point—which I think is a very important one—I would like either to read or to put in—perhaps it would be more convenient for the Committee to take it as a Paper put in—a brief memorandum I have written, and which I would, if I may do so with propriety, earnestly beg the Committee to read, because it is a very important question—the position of the Accounting Officer under the new system. If the Committee would allow me to put this Paper in, I should like to do so.

773. It is in reference to your duties, is it?—It is in reference to my duties in regard to my relations, especially with the Administrative Generals.

774. I think the Committee will be glad to have it. (*The Paper was handed in, vide Appendix.*)

Sir Frederick Banbury.

775. Is this on the new accounting arrangements?—It is a Paper on my own position as Accounting Officer, responsible to this Committee, as affected by the new changes.

Chairman.

776. *A propos* of this paragraph 16?—Yes.

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ARMY APPROPRIATION ACCOUNT.

SCOPE OF AUDIT 1903-4 OF ACCOUNTS I, II., AND
III. ARMY CORPS.

Mr. Herbert Lewis.

777. (To Mr. Kempe.) Are any of the tests referred to here surprise tests, or is notice always given?—We send down a staff at any time we think right, generally for a month or two, and then the accounts are tested. There is a certain amount of notice given so that the papers may be ready for us, but not a long notice. We take up any accounts that we please.

DECENTRALISATION OF ACCOUNTS OF SOUTH
AFRICAN COMMAND.

Chairman.

778. Paragraph 18. You have officers in South Africa who are detained there, and who would look after the accounts there as they are looked after here, do they not?—Yes, we have a staff of five officers out there now.

779. So that their accounts are treated in exactly the same way as if they were at home, are they not?—Yes. We were asked by the War Office to send out officers.

780. I understood you sent them out; I did not know whether they were detained there?—It was the Secretary of State for War who asked for them. They have a permanent staff there.

NEW SYSTEM OF PAYMENT OF SOLDIERS.

781. Paragraph 19. (To Sir Guy Fleetwood Wilson.) This is an experimental and new mode of accounting and paying the men, is it not?—It is experimental in the sense that it might require experience to show if it required modifications, but otherwise it is the system which for the moment holds the field. It has been put in force in about 85 per cent. of the units at home, and I do not think I can describe it more succinctly or clearly than the Comptroller and Auditor-General has done, but I may say that the chief merit of the system is that it will relieve combatant officers of clerical duties, which I think everybody is agreed is very important.

782. But the officer commanding a company now would in peace keep a pay and mess book, would he not?—A pay and mess book.

783. Is that altered in war time, and then has he merely an acquittance roll which the man does not sign? There are witnesses to it, but personally he does not sign it, does he?—No, he would not sign that.

784. Are there no regimental stoppages in war time?—Well, you cannot work stoppages in war time. You must issue everything in time of war.

785. I think it is a very good thing that he has not got to keep them?—I do not think there are any stoppages.

786. So far as you know this is as simple a way of paying the men as could be devised?—I think

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Sir G. D. A. F. WILSON, C.B.

ARMY APPROPRIATION ACCOUNT.

New System of Payment of Soldiers—*cont.*

Chairman—continued.

think so; and the alternative is to maintain an elaborate system which is at once non-existent in the field. This, we hope and believe, will be kept up in war as in peace, *i.e.*, that portion of it which we consider to be essential.

787. The officer keeps the pay and mess book, and the paymaster keeps the ledger?—The paymaster keeps the ledger—that is it.

788. The soldier, I see, does not sign the book either in peace or in war?—No.

Mr. Cohen.

789. Is it understood therefore that neither in peace nor in war does the soldier sign the account in the Pay List?—No.

790. Is there no voucher then in the hands of the Paymaster attesting that he has made the payment?—It will be certified by two witnesses as well as by the officer paying the men, as you will see if you look at the previous paragraph.

791. I see that. That is only the attestation of two witnesses who are present when the payment is made?—Yes, as well as the officer paying the men. You get three safeguards there.

792. Will you explain why the signature of the recipient of the money has been dispensed with? Was it difficult to secure?—It was considered that it was covered by witnesses, but I see no reason why he should not sign it where he can do so. It is an elaborate process to get a whole battalion to sign.

793. (To Mr. Chalmers.) May I ask are you content in the absence of any objection on the part of their Lordships (that is, the Treasury) to regard the requirements of the case as having been complied with?—The Treasury has the case before it, and is in full agreement with the War Office about it; but there are rather voluminous forms which have to be examined, and I regret to say that they have taken a little longer time than was anticipated. When they have been examined the reply will be sent to the War Office.

794. It is *sub judice* at present?—Yes, but not as regards the principle. We are in entire accordance with the War Office on the principle.

795. Therefore the Treasury agree that the signature of the receiving soldier in principle is not indispensable?—Yes. The Honourable Member will be aware that that the case when a sailor is paid on board ship. The War Office is really following in this matter a procedure long in force in the Navy.

796. But not in the Army until now?—Not in the Army till now.

EXPENDITURE IN CONNECTION WITH MANŒUVRES IN IRELAND.

Chairman.

797. Paragraph 20. (To Mr. Kempe.) Expenditure in connection with manœuvres. You seem to have discovered some laxity in the payments made during the manœuvres in Ireland.

ARMY APPROPRIATION ACCOUNT.

Expenditure in Connection with Manœuvres in Ireland—*continued.*

Chairman—continued.

May I ask whether you have seen the new Regulations in consequence of that that have been issued? You see at the end of the paragraph: "The Commander of the Forces in Ireland had issued instructions which should ensure satisfactory accounting in future"?—Yes, we have seen them, and think them satisfactory.

798. You think them satisfactory?—Yes. (Sir Guy Fleetwood Wilson.) Perhaps I might be allowed to say in regard to this that the matter was taken up locally by us in Dublin immediately on receipt of the accounts in question, and before the Comptroller and Auditor-General had seen them. We obtained what we considered to be satisfactory vouchers in June, 1904. The instructions were issued in August, 1904, and the audit query was at once replied to—that was early in September. On that I assume that there was no further objection raised. I do not know whether Mr. Kempe has any further objection to raise?—(Mr. Kempe.) No, now we are satisfied.

PAYMENTS FROM GRANTS ALLOTTED TO GENERAL OFFICERS COMMANDING.

799. Paragraph 21. (To Mr. Kempe.) It would seem that any grants given out of the sums placed at the disposal of General Officers going to supplement Vote 10 would be entirely out of Regulations, would it not?—Certainly; according to the Treasury Regulations we consider it so.

800. (To Mr. Chalmers.) Do you understand that these are merely meant to cover unforeseen charges of an exceptional nature?—That is so. It is a general fund under certain conditions, placing discretion in the hands of the General Officer Commanding.

801. (To Sir Guy Fleetwood Wilson.) May I ask what amount is given to each General Officer Commanding?—500*l.* is the maximum to each General Officer.

802. To the General Officer Commanding a Division?—The large commands. (Mr. Chalmers.) The 500*l.* is only for the very biggest Generals. (Sir Guy Fleetwood Wilson.) I may mention that we have in view the Comptroller and Auditor-General's paragraph, and we have just sent out somewhat detailed instructions in a letter for the purpose of guiding the Generals in the expenditure of this money, which I hope will prevent a recurrence of anything that may be considered as a misapplication of this fund as indicated here in regard to Vote 10. (Mr. Chalmers.) May I add on that point that it was such a review by the War Office that was made by the Treasury a condition of placing these discretionary grants in the hands of Generals, in order to secure that experienced guidance for them which the view that Sir Guy Fleetwood Wilson has just mentioned. (Sir Guy Fleetwood Wilson.) I might even add that the policy of continuing these grants is under consideration.

803. (To

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[Continued.]

ARMY APPROPRIATION ACCOUNT.

Payments from Grants allowed to General Officers Commanding—*continued.*

Mr. Goddard.

803. (To Mr. Kempe.) You have asked for the views of the Army Council on the subject. Have you received them?—I have not seen the statement yet. (Sir Guy Fleetwood Wilson.) It was a circular letter. A reply has been sent to the Comptroller and Auditor-General, I daresay quite recently, and therefore it may not have been seen by him yet.

804. (To Mr. Kempe.) Perhaps you will report upon those views when you receive them?—The question will probably have passed before next year. Of course, if there are any more questions arising on the subject we shall report. (Sir Guy Fleetwood Wilson.) Shall I put in the letter to the Generals? That would probably meet the case, or would you like to look at it without its being formally put in.

805. I would like to read it?—Here it is. (The letter is handed to the honourable member.)

Mr. Cohen.

806. May I ask a question in amplification of what fell from Mr. Goddard. Mr. Kempe says he specially asked to be favoured with the views of the Army Council; are we to understand that these views have been sent?—Yes.

807. Therefore we may take it the matter has been under the consideration of the Army Council, who have decided the point?—Yes. This letter which we have circulated to the General Officers is the outcome of that.

VOTE I.

PAY, ETC., OF ARMY (GENERAL STAFF, REGIMENTS, RESERVES AND DEPARTMENTS).

Chairman.

808. (To Mr. Kempe.) Paragraph 22. You report the disallowance of this sum of 8*l.* 16*s.* 6*d.* because the report of "a Staff Ride" was printed locally, which should have been printed at the Stationery Office?—Yes, we report the disallowance because the Treasury refused to sanction it.

Mr. Victor Cavendish.

809. (To Mr. Chalmers.) Has there been any further dealing with the War Office on this point?—Yes. In November last the War Office came to a general agreement with the Treasury that, as the result of a circular letter, sent by the War Office to Generals Commanding, any excess charge for stationery incurred by General Officers will have to be met by such General Officers out of their private pockets. That being the general understanding, the Treasury would not press the disallowance in this particular case, which led up to the general understanding now reached.

810. So on the distinct understanding that

23

ARMY APPROPRIATION ACCOUNT.

Vote I—*continued.*

Pay, etc., of Army (General Staff, Regiments, Reserves and Departments—*continued.*

Mr. Victor Cavendish—*continued.*

officers generally must pay any such excess in the future themselves, am I right in saying that we consented to waive our disallowance?—Yes.

Chairman.

811. Your answer covers paragraph 23 also, does it not?—Yes, it does.

SUB-HEAD E.

REGIMENTAL ALLOWANCES AND EXPENSES.

812. Paragraph 24. (To Sir Guy Fleetwood Wilson.) This is a change made, is it not, in consequence of a recommendation of the Public Accounts Committee?—Yes, it is. We will follow the Admiralty practice in future and classify the amounts under Balances irrecoverable.

SUB-HEAD F (A).

PAY, ETC., OF SOUTH AFRICAN LOCAL FORCES.

813. Paragraph 25?—Nothing arises on that, I think.

814. (To Mr. Kempe.) You are satisfied, as I understand from the latter part of your paragraph, that these missing vouchers were included in the Station Paymasters' examination?—Yes, we think the examination may be accepted as sufficient.

815. And also by the Principal Paymaster on behalf of the Colonial Government?—Yes.

SPECIAL SUBHEAD.

816. Paragraph 26. (To Sir Guy Fleetwood Wilson.) This arrangement of paying the 97,615*l.* for the cost of raising and the expense of training five new native regiments was the subject of a correspondence and an arrangement between you and the Indian Government, I presume?—Yes. It was at first intended to refund to India the actual cost of raising the five regiments, but it afterwards became clear that this would be complicated and unsatisfactory; it was therefore agreed that India should be paid the estimated cost of raising and equipping five new regiments, and the Treasury have approved of it.

Mr. Goddard.

817. Vote I, Item J?—You are now going back to the actual Votes, are not you?

818. Yes; that is, "Wages of ex-soldiers and civilians attached to units," and that shows a deficit of 37,634*l.*—page 20?—Yes.

819. The next item is K. That is "Pay, wages, etc., of Army Service Corps, Subordinate Establishments." That includes a supplementary estimate of 230,000*l.*?—Yes.

H 2

820. That

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[Continued.]

ARMY APPROPRIATION ACCOUNT.

Special Subhead—*continued.*

Mr. *Goddard*—*continued.*

820. That shows a surplus of 82,550*l.* The explanation is, is it not, that the amount required for South Africa could not be accurately divided between these two sub-heads, and that the expenditure generally was over-estimated? Is there really any use in having two sub-heads so drawn? If you cannot accurately divide the expenditure between them, would it not be better if they were put together?—Well, of course, we endeavour in the Votes to give the fullest possible information that we can to Parliament. No doubt it would help us to roll some of these sub-heads together; but the more sub-heads you have the more difficult it is to apportion the money with great accuracy between them.

821. There seems to me to be an extraordinary difference in the estimate in these two cases?—The South African War really is at the bottom of these variations. You see, if you attempt to carry on a huge war on estimates you are bound to have great excesses and deficits on sub-heads of Votes.

822. Take Item P—that is, "Pay, etc., of the Staff of the School for Mounted Infantry" and a school for Yeomanry Officers; it is a vote of 14,000*l.*?—Yes; the school was not formed, and they had to show a surplus.

823. Yes, I dare say. There was a surplus of 3,565*l.* because the school was not formed. Why was it not formed?—I think many of these schools are dependent on accommodation, and I suppose it was not possible to provide within that year for the accommodation of the school, and so it could not be formed.

824. Then it has not been permanently abandoned?—No, it has not been permanently abandoned. The question of building comes into the expenditure on other Votes; there was not accommodation.

825. Was there a fair prospect of making the school when you took the estimate up for it?—Certainly.

826. That is the point I am driving at, because these surpluses afford the opportunity of enabling you to spend money for other purposes?—You may be quite sure that every effort is made to knock out every item of the estimates which looks as if it would not be wanted during the year.

827. Then there is Sub-head U on page 20, "Pay, etc., of Army Veterinary Department," a Vote of 60,000*l.*; expenditure, 97,710*l.*; deficit, 37,710*l.* The explanation given of that appears to be that there is a number of horses and mules retained in South Africa largely beyond the estimate; but it is a tremendous difference; it is 50 per cent. or something like that?—Yes, the expense is very, very great in South Africa in connection with remounts and transport animals.

828. Now, in a case like that was there no means of getting rid of the animals—selling them?—It had been intended to sell them, and

ARMY APPROPRIATION ACCOUNT.

Special Subhead—*continued.*

Mr. *Goddard*—*continued.*

then it was considered advisable (on grounds which I perhaps had better not dwell on) to hold on to them for a bit. That will affect several items in this account.

Sir *Brampton Gurdon.*

829. Would it not be rather because you did not wish to flood the market?—Possibly; but I could hardly give that reason, as we had anticipated getting rid of them.

830. Is it not advisable to put them on the market gradually?—Yes, that would be done.

Mr. *Herbert Lewis.*

831. Is not the cost of keeping them very great?—Very, very great—enormous.

Mr. *Goddard.*

832. "A. A." and "B. B.," two items, one for the China Expeditionary Force and one for the Somaliland Expeditionary Force; what have you to say as to those?—We really could not control that expenditure.

833. No; I understand that the cause of the great deficit in the first and of the surplus in the second is because they were administered by the Indian Government?—They were so administered; it was, so to speak, really conducted by India—the war was.

834. Why is the plan of allowing India to conduct these sort of things continued when it gives rise to such deficiencies in the estimates as these?—That is a matter of policy which is beyond the War Office. That would be decided by the Government as a whole; and according to their decision it would be either an Indian or an English expedition.

835. It does not come under your purview at all?—It would be decided by the Government whether the expedition would be undertaken by one Army or the other, so to speak.

836. I notice in the case of the Somaliland Expedition that there is 15,000*l.* paid to King Memelik of Abyssinia?—That you will easily appreciate we could not control.

837. How far was that a war expense at all?—It was in connection with his sending troops to work on the flank of the "Mullah" I believe.

Chairman.

838. Was he satisfied?—I really cannot tell you.

Mr. *Goddard.*

839. I was going to suggest whether it should not be properly paid out of the Secret Service Fund?—It was supposed to meet legitimate war expenditure.

840. Did he really render any service for it?—He started a Force.

Sir *Brampton Gurdon.*

841. It was to pay the troops really, was it not?—I fancy so. It was to cover expenses to which

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ARMY APPROPRIATION ACCOUNT.

Special Subhead—continued.

Sir *Brampton Gurdon*—continued.

which the Abyssinian Government were committed.

842. (To Mr. *Gibson*.) With regard to these same items, in the correspondence on page 165, no proper vouchers are supplied. Does that include some charges actually incurred by the Government of India not included in their formal charges against the War Office?—That will be raised on paragraph 53. There is a special paragraph dealing with that. (Sir *Guy Fleetwood Wilson*.) Will you keep it until then?

843. I will—yes. Appropriations in aid—Z. The receipts under this head would have been larger by 4,710*l.* 9*s.* 10*d.* but for the payment of that amount out of the funds of the Imperial Yeomanry Committee on account of the legal expenses incurred in prosecuting Major Studdert. It is a little difficult to explain this. Authority was asked, for including in the expenditure from the Capitation Grant the sum of 3,150*l.* spent on this case?—The Studdert case?

844. Yes, the Studdert case. I cannot reconcile that figure with the 4,710*l.* in the Account. Can you explain that?—There is a special paragraph on that, I think, also in the Report—paragraph 72.

845. Later on?—Yes.

846. I am afraid I had not got so far as that. I will raise it then, I will not raise it now?—Very well.

Mr. *Herbert Lewis*.

847. Item W., "Pay, etc., of Establishments of Military Prisons" (pages 22 and 23). Could you say where those prisons are?—I cannot say. I should think they were temporary prisons.

848. Hired buildings. Were they specially erected for the purpose, do you know?—I cannot give you details about it. I should think they were in some cases run up, and in some cases buildings which existed. You see, they were purely temporary and to meet a temporary emergency.

Mr. *Cohen*.

849. Subhead R:—Can you give us any explanation of this 85*l.* excess on "Miscellaneous and Unforeseen Regimental Charges." I see on the opposite page it says that it is mainly due to a payment of 617*l.* 15*s.* to India, to recoup that Government the expenses of instructing young officers who had received direct commissions, and joined the Army without previous military education?—Yes, I remember the case. During the war we had to take officers who had not completed their course of instruction, and who went to the Army before they would be considered under normal conditions to be quite fit for a commission. The India Office represented that in consequence of their not being trained up to the hilt they would have to attend classes and so forth when they came to India after the war, and that that would put the Indian Government to expense.

850. Presumably, if the education had been completed, it would have been completed at their

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ARMY APPROPRIATION ACCOUNT.

Special Subhead—continued.

Mr. *Cohen*—continued.

own expense; is that so?—No; it is military training education; they were held not to be fully trained officers when they were sent out.

851. Are commissions given to officers who are insufficiently trained?—No; but these were officers who were specially rapidly attached.

852. I mean, in the ordinary way?—No; in the ordinary case they would be all right.

853. What do you mean by "all right"?—They would be fully trained; they would be considered to be efficient officers.

854. And if they were not they would receive the additional training which was required to make them fully efficient?—They would not be considered qualified officers without it.

855. Then that additional training would be provided at their own expense, or would it be provided at the expense of the War Office?—They would be at Sandhurst being trained, and so forth, in the ordinary case. I think we appointed some straight away from the Militia; they had to skip Sandhurst; they were wanted quickly, and they did not get the military training which they otherwise would have got.

856. I can understand under those circumstances how the expenditure arose, but what I was inquiring was what is the ordinary practice?—The ordinary practice is not to send to India either officers or men who are not considered efficient. The efficiency in the case of soldiers consists in a certain age and a certain length of service; efficiency in the case of officers consists in their having gone through a certain course of military training. In the case of these officers they had not completed that course of military training, and therefore they were not efficient.

857. Then they required additional training?—What I wanted to know was, who pays for it—would they or would the War Office?—They would go to Sandhurst.

858. At any rate this was a payment made to India which was to recoup India for the expense to which they would be put because of the insufficient training we had provided?—You may put it in this way: Practically India had to bear the cost of the balance of the training which was necessary, and which we otherwise would have borne if there had been time in this country.

Sir *Brampton Gurdon*.

859. Sub-head A "includes a sum of 1,000*l.* paid to the Eastern Telegraph Company for expenses incurred in connection with telegrams censored by the military authorities during the South African War." I do not quite understand that. Is that compensation for not being allowed to send the telegrams?—Yes, it is practically that. It was compensation in regard to messages which were censored.

860. If you censor them you simply stop them; you do not allow them to be sent. Surely you would not give compensation for that?—It is represented.

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Special Subhead—*continued.*Sir *Brampton Gurdon*—*continued.*

represented the refund on the part of the Telegraph Company.

861. They were sent part of the way, do you mean?—Yes, so I understand.

862. They were sent as far as Cape Town for example, part of the journey?—Yes; they were probably stopped wherever they came to—Aden, Durban, or Cape Town. They were presumably to be sent from or received at those places.

Mr. *Goddard.*

863. They were prepaid by the sender, and the money had to be refunded; is not that what it was?—Quite so; and as the Telegraph Company had to refund the money to those people, they represented that they had lost that amount of business.

ON VOTE 2.

MEDICAL ESTABLISHMENT, PAY, ETC.

Sir *Brampton Gurdon.*

864. Sub-head E. includes the supplying of artificial teeth. That has been dropped, has it not?—No, I think they still supply them.

865. That is not going on, is it; it is stopped?—I have not heard of its being dropped.

866. With regard to Sub-head H, there appears to have been very large sales of drugs—enormous sales; I suppose it was absolutely necessary to sell those drugs inasmuch as they do not keep for any length of time?—Not only that, but I should think obviously they would hardly like to use drugs which were in any way under any doubt, as they might be after having had a long journey out and a long journey back, and so on.

Mr. *Goddard.*

867. On item A, Vote 2, "Pay, etc., of Army Medical Service," there is a surplus of 20,230*l.* I notice that the explanation given of that is that it is "due to vacancies in the establishment of medical officers"; what do you say about that?—I think they were short of candidates that year.

868. Are these vacancies still due to dissatisfaction on the part of the medical profession with the pay and advantages of the Army?—No. This is ancient history. Now that there is a Medical Advisory Board I believe that we are getting very good candidates and as many as we want.

869. You believe you are now getting as many as you want?—Yes, I think it is so.

Chairman.

870. Is not the deficit fully made up on the next item, 44,000*l.* in excess on the "Pay of Civilian Medical Practitioners"?—Yes, that is one of the reasons why we are adding, as you will see in this year's Estimates, to the staff of regular military men.

ARMY APPROPRIATION ACCOUNT.

On Vote 2—*continued.*Medical Establishment, Pay, etc.—*continued.*Mr. *Goddard.*

871. I was going to mention that point. We are not to conclude, I presume, that it is because you could not get candidates for the Army Medical Service that you had to spend this extra money upon civilian doctors?—In this particular year it may have been so, because if there was a surplus due to vacancies, then it is presumable that they were not filled up; but, of course, I need not remind you that during the South African War we had to draw largely on the civil medical profession, and we always shall have to do so in a big war.

872. But this item has nothing to do with war at all, has it?—No; but I do not know whether we may not have had some engagement running with some of them.

873. At all events you are now, as I understand, able to say that there is no difficulty in filling up all the vacancies?—I can only say this (it is not a matter which comes within my immediate personal purview), that I was present at this year's discussion of all the Votes, and on the Medical Vote they pressed for additional doctors on the establishment because they saw that they were going to get such an extremely good lot of candidates in excess of the normal figure.

874. Can you tell me whether in this year's Estimate they are reducing the amount asked for?—No, there is an increase I think of 25. I think you will see in the Memorandum that it is from 25 to 50 that we asked for.

875. I suppose those items in F and G, having regard to those two expeditionary forces, both show a very heavy expenditure over the estimate?—Yes, but I am afraid as to that you must accept the only explanation I can give you, although it is I admit an unsatisfactory one, that practically if you ask another Department to run your war you must leave the expenditure to them; we have no means of checking it.

876. That I understand. I gather that the whole thing is due to the fact of their being financed by India and not by the War Office?—We formed the best estimate we could, and they spent more money than we thought they would. It is also a question of bringing money to account within the year. The accounts have to be passed as we get them; and, of course, we have to get them from India. You will recognise that these are Indian troops that were employed.

877. That may be so. If it is, as you said before, a question of policy, I cannot press you upon that?—I cannot deal with that.

878. But, as a matter of finance, it is a serious thing, is it not, that these constant over-expenditures occur. Is there no way of bringing that consideration to bear upon the question of policy?—Personally, I think that the simpler plan would be to do it upon a sort of what I might call "lump sum."

879. It is

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ON VOTE 3.

MILITIA: PAY, BOUNTY, ETC.

Mr. Goddard—continued.

879. Item A in this Vote shows a surplus of 43,000*l.*, which is said to be due to two additional brigade divisions Royal Field Artillery (Militia) for which provision had been made, but which were not raised. Have they been permanently abandoned?—Yes, they have.

880. Then have the current Estimates been reduced in consequence of that abandonment?—The decision to abandon them was given subsequently to the framing of the 1905-6 Estimates, so they are still in those Estimates.

881. There is rather a curious point in connection with Item C—the “Regimental Allowances of Militia.” Almost every other item of the Vote shows a surplus owing to the fact that men were not raised. This item shows an excess expenditure of 5,683*l.*, and the explanation that is given of that is that it is due to an underestimate of the amounts required for mess and band allowance. That seems rather a strange thing. You ask for a vote of 43,000*l.*; you spend 48,683*l.*, while at the same time large numbers of men—several whole brigades—which have been estimated for are not raised at all?—I quite see your point; I am afraid I cannot answer you, but I will endeavour to get the answer for you by the time of your next meeting.

Chairman.

882. Is it not the fact that there is no reduction of units, therefore the bands would be kept up even though the Militia fell in strength?—That would probably account for the deficit. I think it was, fairly and squarely, an underestimate.

Mr. Goddard.

883. Under those circumstances what would have happened if the whole number had been raised?—It would have been something enormous, I suppose?—I do not see your point.

ON VOTE 4.

IMPERIAL YEOMANRY: PAY AND ALLOWANCES.

MUSKETRY REGULATIONS NOT COMPLIED WITH.

Chairman.

884. From paragraph 28 it appears that musketry is not necessary—or is regarded as not necessary—for claiming the pay and allowances for the annual training. Do you agree to that?—That is so; it will be eliminated from the Imperial Yeomanry Regulations in consequence.

885. Otherwise it was very irregular, was it not, for the General Officer to give the sanction for the irregular issues. I suppose it is altered now. You see, it is stated here: “The attention of the War Office having been drawn to these cases, the *ex post facto* authority of the General Officer Commanding was obtained to

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ARMY APPROPRIATION ACCOUNT.

Vote 4—continued.

Imperial Yeomanry: Pay and Allowances—contd.

Musketry Regulations not complied with—contd.

Chairman—continued.

cover the irregular issues”; and his doing so after the event—the men not having done musketry—would not at all make any difference?—I quite agree.

886. However, you say that is now struck out? I am told that the insertion of it in the Regulations was an error, and presumably the General assumed that it was an error (which it was), and acted accordingly.

Mr. Goddard.

887. Can you say how many men or how much money was involved by this error?—Well, it would not be a question, you see, of any loss, because they were properly paid, inasmuch as they were not called upon to do these things. The fact of their not doing them therefore did not debar them from getting the money. There is no money loss involved.

Sir Brampton Gurdon.

888. Do I understand that now they will get just the same grant whether they are trained in musketry or whether they will not—that it will make no difference in their grant at all?—Not as regards “pay and allowances.” There were certain conditions of musketry which did not apply, but which inadvertently entered into the Regulations. The Regulations called upon them to do what they were really not obliged to do, and the statement set out there records the remedy that has been taken to put that right, and to let them revert to their normal condition.

SQUADRON TRAINING REQUIREMENTS NOT FULFILLED.

Chairman.

889. On paragraph 29 do you agree with the Comptroller and Auditor-General’s contention that attendance at “recruits’ training” is not to be counted as one of the 10 squadron drills of each yeoman?—If I may say so with due respect—and without in any way questioning his discretion; I am sure the Comptroller and Auditor-General will not take it ill—I think he really is going beyond his province in this. This is an interpretation of what is “efficiency,” and the Regulations lay down that the “squadron training will include such instruction in mounted and dismounted work as the squadron commander may consider necessary for the efficiency of his men in field duties.” I think it does not come within my province as Accounting Officer to deal with the question as to whether the action of the squadron commander will lead to efficiency in field duties, nor within that of the Controller and Auditor-General.

890. Does

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ARMY APPROPRIATION ACCOUNT.

Squadron Training Requirements not Fulfilled
—continued.

Chairman—continued.

890. Does it not occur to you that the squadron commander must be the person most competent to deal with the conditions as to the training of Yeomanry recruits?—It may be so, and I dare say it is so. The men are to be well drilled, and the Regulations say the instruction will be such "as the squadron commander may consider necessary for the efficiency of his men in field duties." I do not think I can go at any rate beyond that. He is answerable for the efficiency of his men, and it is left to him to decide what will render them efficient.

891. I think the more satisfactory way would be if the General Officer commanding the Forces was asked his interpretation of the Regulations?—Shall I endeavour to get that for you?

892. I think that is the only way in which we could get at it. It is obvious that the Comptroller and Auditor-General would complain next year just the same?—Of course, I need hardly point out that these Regulations are drawn up by the very officer in question.

893. Yes, therefore he would know what he means, which we are not quite certain of now?—I will obtain his opinion.

Mr. Victor Cavendish.

894. Has the irregularity in the Orders been revised?—Where?

895. You said, as I understood, that there was supposed to be a mistake in the Regulations?—That is in relation to paragraph 28.

896. Has that been altered?—Well, if it is not done it will be done; they are in the course of "revise."

CONTINGENT ALLOWANCES PAID IN CASES NOT PROVIDED FOR IN THE REGULATIONS.

Chairman.

897. Paragraph 30. There is no dispute, is there, with regard to these men drawing the allowance?—No, I do not think so.

898. On the other hand, I suppose, in paragraph 31, the Regulations are to be upheld, that the bandmen are not to claim for the same horse as has been paid for before?—I think that was perhaps based on a misapprehension; I was also misled by it at first, but the facts are as follows: Sixteen horses were specially hired for the band of the City of London Imperial Yeomanry. A mounted band was very seldom required, and the horses, which were not used by the band, were used by the ordinary troopers whose horses happened to be at the time sick or otherwise incapacitated, but the horse allowance has not been claimed twice in respect of the same horse.

Sir Brampton Gurdon.

899. But it has been claimed in respect of horses that were not efficient, has it not?—No.

ARMY APPROPRIATION ACCOUNT.

Contingent Allowances Paid in Cases not Provided for in the Regulations—continued.

Sir Brampton Gurdon—continued.

A horse might be accidentally ill, and what happened was that instead of keeping the man dismounted they utilised a band horse for him. I do not think there is anything in it.

Mr. Victor Cavendish.

900. Do you say that the sixteen horses were hired?—Yes.

901. Then in that case, who gets the 5l.?—I suppose that would come under the capitation rate.

902. I thought the horse was to be the property of the man?—This is the Yeomanry.

903. Yes, this is the Yeomanry; that I understand?—Many of them hire horses.

904. And then do they get the 5l.?—If they produce a horse they do; few of them own a horse.

Mr. Cohen.

905. Do we rightly understand that as the Comptroller and Auditor-General says correspondence is now proceeding, or do you say that there is nothing to explain—that the procedure has not been irregular?—It has been under consideration and the reply ought to have been sent.

906. Has the 5l. been claimed, or has it not?—I am informed distinctly that no horse has had a double payment made for it—no double payment has been made for the same horse.

907. Not for the same horse?—No.

908. But have they substituted another in consequence of the illness of one horse; and if they have done so, then has another payment become due? If a man's horse goes wrong, is he entitled to have payment in respect of that?—The horse may be incapacitated for the time being; he may get hurt; in which case naturally the man has drawn the allowance for the horse—he may have an accident while out at drill; in most cases he would have to wait until the horse got well, but in these cases they used the band horses for others, and continued the men as mounted men.

909. In either case would there be another 5l. paid?—No. In these cases the money was paid for the number of horses produced; I am informed that that is the case, and I am sorry to hear that the Comptroller and Auditor-General has not yet had an answer; but that answer will be sent, and will no doubt give the information with greater authority.

Sir Brampton Gurdon.

910. Can you tell us how long these Yeomanry were out for?—The normal training, I think.

911. What is the "normal training"?—Sixteen days, I think it is.

912. Sixteen days; and therefore they got 5l. for hiring a horse for sixteen days?—The Regulations lay down that the man is to come with a horse. Whether it is his horse, or his brother's horse, or a hired horse, the Regulations do not lay down; he has got to come with a horse.

913. And

14 April 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT.

Contingent Allowances Paid in Cases not Provided for in the Regulations—*continued.*

Sir *Brampton Gurdon*—*continued.*

913. And he gets 5*l.* for it?—He gets the 5*l.* allowance as a part of his emolument.

914. Then he may make a good thing of it; he may make a pound or two out of it, may he not?—Of course, it is considered that it is part of the emolument attaching to the post of a Yeoman, who does his duty as a soldier for the time being.

915. Was not the idea of the 5*l.* that there would be always a horse ready and fit for duty?—The man undertakes to provide a horse.

916. Is not a condition of the 5*l.* payment that the man is bound to have a horse always ready and fit for active service as well as for the training?—He guarantees to come with a horse.

917. For the training?—If the Yeomanry are called out each Yeoman undertakes to come mounted.

Mr. *Herbert Lewis.*

918. Is he foraged?—He is foraged. For the time being he is a soldier, and he is treated like any other soldier.

Mr. *Goddard.*

919. I want to ask you a question or two about Sub-head E of Vote V., page 30, "Miscellaneous Charges for Volunteer Corps." This particular item includes expenditure on the rifle range at Kingscase?—You will find a good deal of correspondence on that at pages 165 to 167.

920. The result of that correspondence seems to show an absolute waste of nearly 1,500*l.* Perhaps I have not got it right, but as I understand the case this rifle range was held by a certain Volunteer Corps, and had been held for a period of over twenty-one years?—Yes.

921. And it was certified. In the year 1891 an agreement was entered into to sub-lease it to a Golf Club, and apparently the arrangement proved very irksome to the Golf Club, and they set to work to get rid of the Volunteers. They commenced an action against the Volunteers on the ground that as they had no bye-laws the firing was dangerous. Then in order to remedy that bye-laws had to be obtained; they were applied for, but they could not be got, there were some legal difficulties in the way, and it was not until after the passing of the Military Lands Act in 1900 that they could get them. In the meantime an injunction had been granted against the firing, the case was heard, and it cost 830*l.* Finally, apparently, bye-laws were embodied in a Provisional Order, and then the Parliamentary Committee inserted a clause, which limited the use of the range to five years; of course, that was useless, and the range was abandoned I understand. Who really was responsible for making this sub-lease and why were not adequate precautions taken to prevent any of these wasteful and useless expenditures?—I am afraid the only answer I can give you is that the case is very fully stated (the War Office case as well
03.

ARMY APPROPRIATION ACCOUNT.

Contingent Allowances Paid in Cases not Provided for in the Regulations—*continued.*

Mr. *Goddard*—*continued.*

as the case in itself) in the correspondence; I do not think I can add anything to it; and I may point out that it was only after very careful consideration that the Treasury passed it. I do not think I can tell you more than that.

922. Do you know at all who was responsible for it?—Responsible for what portion of it?

923. For making the sub-lease which ended in this way, which caused this expenditure?—All in connection with the lease had been carried out by the Volunteer corps; it was a Volunteer range, and we advised them to fight it on the broad principle that we thought it was an important thing that the case should be fought, as it might affect many other ranges, I suppose; but the lease was a Volunteer lease and they effected what sub-lease they liked; the range, I mean, was a Volunteer range.

924. What has really happened is, is it not, that the Volunteers were practically ousted from their range by their own action?—I suppose it would be so.

925. And the country mulcted of 1,500*l.*?—We advised the action—the War Office at least did—because they thought that on the question of principle it would be well to fight it.

ON VOTE 6.

TRANSPORT AND REMOUNTS.

Chairman.

926. On this Vote attention is called by the Comptroller and Auditor-General to the large prices that are given for chargers. What have you to say about that?—That is really a question of how you interpret what you may call the average. So long as the average is not exceeded we hold that there is no reason to interfere with the discretion of the Remount Department; in other words, we take the high with the low prices, in some cases they give more, in some cases they give less. The number of horses purchased at these high prices during the last six months of the year under review was only 78 out of a total of 1,979, that is less than 4 per cent.; and it has been found essential in some cases, where the riders are especially tall or very heavy, to pay the higher price; you otherwise would not get the horse; you would have a breakdown if you put a very heavy man on a light-weight carrier.

927. With reference to the last paragraph, what is the arrangement—are horses purchased at the higher figures to become the property of officers for six annual payments of 10*l.*?—Six annual payments of 10*l.*; that is based on the average cost. The higher-priced horses would become the property of the officers similarly to the others.

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928. For

[14 April 1905.] MR. CHALMERS, C.B., MR. KEMPE, C.B., MR. GIBSON, C.B., AND SIR G. D. F. WILSON, C.B. [Continued]

ARMY APPROPRIATION ACCOUNT.

On Vote 6—continued.

Transport and Remounts—continued.

Mr. Victor Cavendish.

928. For six annual payments of 10*l.* each, whatever the original cost of the horse might be, it would become the property of the officer?—Yes.

929. Even if it cost a hundred pounds?—Yes, because it is for the private use of the officer.

Mr. Goddard.

930. Or if it cost less than £60, the same rule would apply would it?—Yes, we take—if I may so put it—the rough with the smooth; and in some cases the officer may get the horse cheap. In any case we do not lose; but in the case of 4 per cent. we have to buy weight-carrying horses, and I need hardly say that means more money; you cannot get such horses otherwise.

931. Sub-head C—this is "Sea Transport." Under this sub-head there is an expenditure of 2,018*l.* as compensation for the loss of two lighters hired locally for transport services in connection with the Somaliland Expedition; they were totally lost; no blame was attributable to anybody. The correspondence is at page 169. The point I want to raise is this—I notice that the lighters were hired on terms that "required them to be returned in the same good condition as received, any damage or loss being paid for by the Government." In consequence of those terms of hiring the owners did not insure the lighters, saying that they would not get any compensation from any other source. Is not that a very unusual way of hiring such vessels?—It may or may not be so; I could not tell you; but I should think it would be, of course, carried out locally, and I should think from the very fact that the terms appear to be abnormal, there would be special reasons for carrying the transaction out in that way. I cannot give you a more definite answer than that.

932. There are two such simple ways of getting over a difficulty of this sort that the transaction is a little surprising; either the Government could insure the lighters themselves—I understand they never do that sort of thing—is that so?—Government rarely insures.

933. That would have been an exceedingly simple way of meeting the difficulty. The other would have been to have paid a little higher rate in order to enable the owners to insure, and so have avoided the risk?—The question of time may have come in. I cannot answer your objection, but the question of time might come in, and might be the very cause that would prevent either of the two being done.

934. When you were making the agreement it would not take any longer to put such a clause in the agreement than to leave it out?—It would take time to effect the insurance.

935. A very short time?—Not necessarily. You see, you would have had to have waited until

ARMY APPROPRIATION ACCOUNT.

On Vote 6—continued.

Transport and Remounts—continued.

Mr. Goddard—continued.

you could effect your insurance in England. The lighters were taken up in the Red Sea as required, and they were required at once, and I presume the owner said, "If you want these lighters you can have them, but if they are damaged you must make the damage good," which is very much what would be done by any man in this country. (Mr. Chalmers.) If it were to occur again the Treasury would not be in favour of insurance by either of the two ways the Honourable Member suggests.

936. Would they not?—They would not be in favour.

937. The Treasury would prefer that the Government should stand its risk, you mean?—Yes.

938. It seems to me a very extraordinary decision to arrive at?—We think we can do it cheaper than other people can do it for us.

939. Yes, if you underwrite it in some way?—In our case nobody makes any profit out of the insurance. This is a case where we have lost; but we have got our unseen profit elsewhere by non-insurance as a general policy.

940. Does not an incident of this sort shake your belief in that system of carrying on business?—Not at all.

Mr. Cohen.

941. Do we rightly understand from that statement as to the action of the Treasury that in their experience non-insurance results in greater advantage than the contrary?—Yes. People do not do insurance as companies or individuals unless for a profit. We have a very large business, and we take the rough with the smooth. This is one of the instances of the "rough"; and we do not charge ourselves with the profit which other people would charge us with were we to insure with them. If we did know the rough instances before they occurred, naturally we would insure in those particular instances.

942. The Treasury experience confirms their opinion as to the greater advantage of the policy they pursue, I suppose?—That is so.

Mr. Goddard.

943. (To Sir Guy Fleetwood Wilson.) There are two items in this vote of compensation to contractors in respect of claims arising from the postponement of the Army Manœuvres in 1903; I am not complaining of the amounts paid, they do not seem to be unreasonable, but how is it that the contracts are entered into?—I think, if I rightly recollect, that the manœuvres were postponed in consequence of the weather—a very late harvest I think it was.

Sir Brampton Gurdon.

944. Was it not a very wet summer?—Yes, it was in consequence of the very wet summer that the harvest was delayed. The manœuvres had to be put off altogether.

945. I

[14 April 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNT.

On Vote 6—*continued.*

Transport and Remounts—*continued.*

Mr. *Goddard.*

945. I notice that these sums appear to have been paid on the authority of the General Officer Commanding before the sanction of the Treasury was obtained, and the Treasury merely gave a covering authority after the event, was that necessary?—What, the covering authority?

946. No, was it necessary? I should have thought the Treasury ought to have been consulted first?—That point has been noticed and we have undertaken to let the Treasury know in future.

Chairman.

947. (To Mr. *Gibson.*) You had a considerable reduction the time before, did not you?—Yes.

Mr. *Goddard.*

948. (To Sir *Guy Fleetwood Wilson.*) One of the Sub-heads includes a sum of 900*l.* paid to the Union Castle Line "on account of freight for short embarkations in the Doune Castle." The note appended to the account at page 33 refers to "Correspondence, Letter 15, page 169." When I turn to that letter I do not see any mention of that sum. There are a lot of smaller sums mentioned. Was the Treasury asked to sanction that?—I am reminded that that is covered by the transport regulations, which are accepted and in force. Such a case as that is provided for in the regulations, which have the approval of the Treasury.

949. What is the use of referring to the letter if the figure is not mentioned? Why is it omitted from the letter?—I think it is a slip.

ON VOTE 8.

CLOTHING ESTABLISHMENTS AND SERVICES.

950. There are two small points on items D and E of Vote 8, page 36. Item D is "Wages of Clothing Establishments and at Regiments." There there is a surplus of 6,300*l.*, and the note explains that it is "due to a general reduction on return to peace conditions." Item E is "Contracts for Making Clothing." There there is a deficit amounting to 34,800*l.*, and the note says, "A larger quantity of clothing had to be made up by contract than was anticipated." The two statements do not seem reconcilable?—The explanation of that is that at the Clothing Establishment the storekeeper was working down his

ARMY APPROPRIATION ACCOUNT.

On Vote 8—*continued.*

Clothing Establishments and Services—*cont.*

Mr. *Goddard—continued.*

staff, and his wages in consequence, because the war had come to an end, and, on the other hand, he was buying a larger quantity of clothing by contract.

951. When you come to cases like that, I suppose you have to stock the extra clothing?—Yes.

952. That is a risk. Is there no means of stopping the contract and avoiding that risk?—I take it that the clothing is wanted or it would not be ordered.

953. But is not the tendency of it to get a quantity of clothing; then it gets into bad condition and then it has to be sold for a mere trifle?—That only applies to that ready-made civil clothing. I do not think you will find that to be the case with the clothing bought for the troops.

954. This is ready-made clothing is it not?—This is clothing for troops; uniforms. What you have had before, and which I think is in your mind, is what I may call slop clothing of a civilian character which is intended for soldiers when discharged on their return to civil life, and also for some Boer prisoners. You no doubt are aware that the uniforms are made up partly at the Clothing Factory and largely by contract, by Compton's and other large clothing manufacturers. There is no connection, I take it, between this and the clothing you had in your mind.

Sir *Brampton Gardon.*

955. Do I understand you to mean that the contracts were made and therefore you could not stop them?—No. I think they put out more clothing contracts than they anticipated. I am afraid I cannot give you an exact explanation with certainty, but I should think that a large amount of clothing would be wanted for the troops on their return from South Africa, and it would have to be made up. You will find, on referring to "O" and "P" on the next page, that "more work was done in the Factory than was estimated for." On the other hand, the wages of the clothing establishments and Regiments was mainly in connection with the Store Establishment at Pimlico. There was a question of reducing storekeepers and having to order more clothing to issue to the troops.

956. It does not mean, does it, that you reduce the Military Clothing establishments in order to employ contractors?—Oh, no, one is storemen who handle the goods when they are made, and the other is actual tailoring.

Tuesday, 18th April 1905.

MEMBERS PRESENT:

Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Goddard.

Sir Brampton Gurdon.
Sir Arthur Hayter
Mr. Herbert Lewis.
Mr. Pym.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in; and Examined.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Sir GUY D. A. FLEETWOOD WILSON, C.B., recalled; and further Examined.

Chairman.

957. There were two points upon which you were going to inform us, one was as to Question 881, in regard to "Regimental Allowances of Militia"; you were explaining the excess expenditure of £5,683?—I am afraid that point has escaped me; I am very sorry, may I put that in next time?

958. Yes. The other point is with regard to Question 891. You were asked, "I think the more satisfactory way would be if the General Officer commanding the Forces was asked his interpretation of the Regulations" and you replied, "Shall I endeavour to get that for you?"—Yes, in accordance with the instruction I received from you I placed before the Adjutant General the desire of the Committee, and I have two Minutes, one by the Director of Auxiliary Forces and the other a Minute covering it by the Adjutant General, which, with your permission, I will read.

959. Will you please do so?—General Mackinnon, the Director of Auxiliary Forces, reports:—"Under paragraph 146 the Officer commanding a squadron has full discretion in selecting the nature of Instruction to be given to trained Yeomen. It is the duty of the Inspecting Officer to bring to notice any case in which the Squadron shows that proper care in the Instruction has not been given; this regiment (the Glamorganshire Regiment, on which the question arose) is particularly well reported on"—that is signed, H. Mackinnon. Covering that is the Minute of General Douglas, Adjutant General, in which he says:—"I entirely concur with the Director of Auxiliary Forces. Paragraph 146 advisedly gives squadron commanders discretion

Chairman—continued.

as to the manner in which the instruction in mounted or dismounted work is to be carried out. In many instances it is impracticable to give this instruction except to the recruits at training." That is signed by General Douglas, Adjutant General.

960. That is quite enough for us. It shows that attendance at recruits training may be counted to them as attendances at squadron training?—That is the contention of the military authorities.

VOTE 9.

WARLIKE AND OTHER STORES.

SUB-HEAD B.—GUNS AND CARRIAGES.

Chairman.

961. (To Sir Guy Fleetwood Wilson.) You will observe that paragraph 33 states various points that show great laxity in the making of the contracts referred to there first of all, there was no reference made by the War Office to the Contract Branch; secondly, there was no estimate as to the cost; thirdly, apparently there was no competition, because the amount paid is said to be "considerably in excess of the charges for similar equipment supplied by another firm"; and, lastly, it is stated in the Report that "no steps were taken to verify the actual cost by an independent examination of the contractor's books." The Committee would like to know what you have to say with regard to those points?—The usual procedure of reference to the Contract Branch has not been held

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Sir G. D. A. F. WILSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 9—continued.

Warlike and other Stores—continued.

Sub-head B.—Guns and Carriages—continued.

Chairman—continued.

to be applicable to purely experimental orders. I do not think myself that it was intended that even experimental orders representing very large sums, as these might be held to be, should be treated, exceptionally, but that has been held as the recognised view. In this case the designs were prepared by Messrs. Vickers and Messrs. Armstrong. The firm in question here is Messrs. Vickers. It is true that similar orders were given to Messrs. Armstrong and the prices of the latter were considerably less; but it is held by the Master General of Ordnance that it is difficult to establish a comparison between two firms in the case of experimental orders because those orders almost invariably lead to unproductive expenditure—they make no profit out of it; that is the theory. The fact that the contractor's books were not examined to see what was the actual cost charge is owing to that being really of no use, because you would have to take the figures that the firms gave you to look at and you would be no further if you did go and look at them. I think, generally speaking, it has been held that the very nature of an experimental order justifies a departure from the normal practice.

962. Then in regard to the absence of an estimate what do you say; there apparently was no estimate?—There was no estimate, because it is held in the case of an experimental order that it is practically impossible to make a case estimate and to get a regular contract out; because what is ordered is built up gradually upon the ideas very often of the Department which is asking for something which is not yet made and which varies during the process of manufacture.

963. I did not quite understand what you said with regard to not accepting the lower offer from Messrs. Armstrong?—Both firms made an offer. They were not actually the same articles, but they were very much the same class of thing, and Messrs. Armstrong made some and Messrs. Vickers made others, and the prices panned out with a considerable variation between the two. Messrs. Armstrong worked this experimental order out at a cheaper rate than Messrs. Vickers.

964. You will observe it is stated that the War Office demurred to the amount claimed as excessive. Did the contractors make any protest on reducing the amount? They appear to have reduced it to cost price plus 10 per cent. That was considered to be a fair way of giving them some profit for the expenditure they had been put to. When it came to be a question of argument whether it was a fair price Vickers met the difficulty by saying "very well, give us ten per cent. as profit on the expenditure and we will only charge the net price."

965. Did Armstrongs not say the same thing?—I do not think the question arose with Armstrongs; we had no question with Armstrongs. I have no doubt Armstrongs

of

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 9—continued.

Warlike and other Stores—continued.

Sub-head B.—Guns and Carriages—continued.

Chairman—continued.

being much cheaper we would not have raised the question with them.

966. Do you say that no estimate of price can be arranged with the contractor beforehand, that it is too uncertain what the experimental order will turn out to cost?—As I understand the difficulty is that during the process of manufacture suggestions are made and the thing undergoes modifications; therefore it is impossible to tie the manufacturer down to a hard and fast contract. The very nature of its being an experimental article would vitiate the contract probably more than once during the course of manufacture.

967. Then you traverse what is stated in this paragraph, that it is "the usual course in experimental orders" to refer to the Contract Branch; you say it is not so?—I am informed there is this difficulty about that as to the interpretation of what is meant by "the usual course." The particular branch of the War Office hold that this is the usual procedure; but I myself cannot help thinking that in the case of large orders involving considerable sums it would be better to attempt to get at some agreement as to what the price would be, even if the contract were modified.

968. You will observe the Comptroller and Auditor General says "although the contractors were asked to state the cost previously to the execution of the orders they neglected to do so." Is it not *laches* on the part of the War Office not to have insisted upon their doing so?—I am afraid I can only say that paragraph 33 of the Comptroller and Auditor General's report appears to me to be correct. Whether they were sufficiently pressed or not to state the cost I am hardly in a position to say. I think great difficulty does arise with experimental orders which the Committee will appreciate. When you are dealing with an article which you have hardly made up your mind about yourself, sometimes it is bound to be modified in the course of manufacture.

969. Would not it be better to make some contract or some arrangement beforehand as to price subject to alterations in manufacture?—I think it would.

970. It seems to me otherwise you are going on blindfold here?—I should think it would be better to come to some distinct understanding before large orders of this character were put in the hands of manufacturers.

Mr. Goddard.

971. As I understand this matter, you have no control over the cost price?—No.

972. Such an arrangement as taking the cost price plus 10 per cent. is no method of economy?—I do not follow you as to what you mean by method of economy,

973. I:

18 April 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 9—continued.

Warlike and other Stores—continued.

Sub-head B.—Guns and Carriages—continued.

Mr. Goddard—continued.

973. I mean that such an arrangement is just as likely to be expensive as it is to be cheap. You do not know what the cost is, and the 10 per cent. depends entirely upon what the cost is?—We probably were given an idea of what it would be. It was on an offer from Messrs. Vickers, as I understand it, to avoid any further discussion they said, "Pay us net cost and give us 10 per cent. profit."

974. Precisely, but supposing Messrs. Vickers happened to be working on a very expensive plan the cost itself would be very expensive?—Yes.

975. It was no guarantee or safeguard to say, "Pay us the cost price plus 10 per cent.?"—The real safeguard would have been if we could have ascertained accurately what the cost price was.

976. Yes, if the manufacturer could have said originally what the cost price was and then added the cost price of the additions or alterations?—Yes.

977. That was not done?—That was not done. This statement in the Comptroller and Auditor General's report I think is correct as regards the main procedure.

Mr. Pym.

978. It is stated in paragraph 33 that "The amount paid was considerably in excess of the charges for similar equipment supplied by another firm." I gather that Armstrong is the other firm?—Yes.

979. You did not make the application to Armstrongs at the same time with regard to this particular equipment?—I do not think so. I think our application to Vickers was the outcome of the cheaper price of Armstrongs. It was when one compared those two, and one saw the one was much dearer than the other that I think the question was raised.

980. It was subsequently that you were able to compare the two, you had not got the figures of Armstrong before you at the same time when you had not got the figures of Vickers?—That I cannot tell you, but I should say probably the two bills came in and one was very much higher than the other.

981. Then it was after you had made your arrangements?—Yes.

982. You compared the figures after you had really completed your contract with Vickers?—Both firms, I understand, were treated on the same lines, and the result in the one case was dearer than in the other.

983. That is not quite my point. I understood from you that you got from Armstrongs an estimate?—No, I do not think so.

984. Was there no estimate from Armstrongs for the experimental order?—For this experimental order I understood there was no estimate and no contract price.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 9—continued.

Warlike and other Stores—continued.

Sub-head B.—Guns and Carriages—continued.

Mr. Pym—continued.

985. Not even from Armstrongs?—No, they were both on the same footing.

986. You did not apply to Armstrongs at the same time that you applied to Vickers for an estimate for this particular equipment?—We did not apply for an estimate in either case.

987. But in paragraph 33 it is stated that "although the contractors were asked to state the cost previously to the execution of the orders, they neglected to do so"?—You are asking whether the same thing took place with Armstrongs?

988. Yes?—Armstrongs sent in their price earlier than Vickers.

989. For this particular equipment?—For the same class of equipment. I believe there is a slight variation between the two.

990. Then you had an opportunity of comparing the two figures of cost?—I could not answer that question unless I knew the dates, and I do not at the present moment know what the dates were, whether it was only a day or two, or whether it was appreciably earlier.

991. Were you then pledged to Vickers to carry out this particular order?—What happened I understand was this, we told the contractor in each case we wanted a class of article which was in the nature of an experimental article, and that they were to manufacture this article and give us an idea of what it would cost. Vickers apparently did not do so.

992. But Armstrongs did?—Armstrongs did, I understand; but I do not know exactly when, whether they did it at once or whether they did it after the manufacture had gone on in both cases.

993. That is what I understood was the case. Then the result was this: You gave an order to Vickers independently of what you knew of what the price would be from Armstrongs?—No; I think the order was given before we knew the price from either. The two orders went out together to the two firms, and with those orders was the request for an idea of what the cost would be. At a certain period (when I cannot say, for I do not know) that price did come in from Armstrong. It did not come in from Vickers. We asked for it but they did not send it.

994. Do we understand that Armstrongs had an order as well as Vickers for this particular thing?—Yes; there are two separate transactions about the same time.

995. Then what happened afterwards?—When Vickers' price did come in, then we saw it was so much higher than Armstrongs that we said: "We will not pay," and it was argued out with the result I have mentioned.

Mr. Goddard.

996. You do not mean when the price came in—you mean when the goods were supplied to the bill sent in?—Yes, I meant that.

997. When

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Vote 9—continued.

Warlike and other Stores—continued.

Sub-head B.—Guns and Carriages—continued.

Mr. Pym.

997. When the charge for the goods was made you realised the difference between the price charged by Vickers and the price charged by Armstrong?—Quite so.

998. It was too late then to get an alteration made?—Yes, it was too late to cancel the order as I understand.

Mr. Cohen.

999. I understood, in reply to the Chairman, you said you were personally of opinion that in such large orders as these it would be better either to get a tender, or, at all events, an estimate before the order was given?—I think this very case to which the Comptroller and Auditor-General draws attention shows that.

1000. I think you added that the department at the War Office did not seem to be of that opinion?—No, I do not think I meant to say that, because I have not yet raised that point. It has not been the practice to have a contract in such cases. The normal practice is working without a contract. I want to make it clear that they are not opposing any change.

1001. Then the Comptroller and Auditor-General calls attention to the fact that no attempt was made to get an independent inquiry as to what was the actual cost of the work; can you say why no effort was made to do that?—Yes. The reason is that it would be really futile, because we can only see whatever figures they put before us from their books.

1002. I do not suggest that they would falsify their books. If they were to tell you from their books that the articles cost such and such a price, I suppose that would be accepted?—Certainly, in such a case as this.

1003. You did not make any such inquiry?—Yes, we did. This is stated by them as being the net cost to them. No doubt some manufacturers are able to make a given article, as you know, cheaper than others, having greater facilities. I cannot conceive for a moment that Messrs. Vickers would give us other than the actual cost. They have enormous transactions running into millions, and this is only a matter of £7,000.

1004. I do not suggest that they would give you other than the actual cost. But you cannot explain why the War Office departed from what I should have thought was the ordinary business course; why, having asked for prices, they gave the orders before they were received, because presumably they had the estimates from both firms, Vickers and Armstrong at once, and they would not have given the order to the more expensive firm?—I have endeavoured to explain that. In the case of experimental orders for warlike equipment, the actual process of manufacture often undergoes change while it is going on. Evidently they wanted to start quickly on this,
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Sub-head B.—Guns and Carriages—continued.

Mr. Cohen—continued.

and they said, "Give us this article, let us know in the meanwhile what it will cost."

1005. By "they" you mean the War Office?—The Master General of Ordnance branch, the Artillery branch.

1006. They did not have the knowledge that the one was so much more expensive than the other, till they had completed the order?—No, the mistake, if I may so put it, was that greater pressure was not brought to bear upon Messrs. Vickers to give us the price more quickly. I daresay they had difficulty in assessing the price of an article of this character, but it would have been better if we had insisted upon getting the price.

1007. If you had got an estimate from them at the time you got it from Armstrong, would it have been in time to have withheld the order from Vickers?—It would depend so much upon the exact time when they had gone ahead with the manufacture; it is very difficult to answer in regard to a problematical condition of affairs.

1008. But the effect of your experience on this occasion would probably induce you to adhere to the practice of always knowing beforehand if possible the cost of these things?—Subject to any strong reasons which there may be against it, I think I may say I am confident there would be no opposition to a change which would be a safeguard to the Branch if it were suggested to them, and I shall certainly draw the attention of the Master General of Ordnance to this paragraph with that view.

Chairman.

1009. If you are calling the attention of the Master General of Ordnance to it, will you point out to him that Messrs. Vickers presented a bill exactly of 1,800*l.* more than the War Office accepted in one case and 1,000*l.* more than they had accepted in the other, which was supposed to cover 10 per cent. profit plus all the expenses?—I will place the whole paragraph before the Master General, and I have no doubt the Director of Artillery will go fully into it.

PRICE PAID FOR CARRIAGES.

GARRISON BARBETTE.

Chairman.

1010. As I understand paragraph 34 it means that there was to be a reduction of 10*l.* on each of the four carriages mentioned in the paragraph, "if delivery was accepted at the contractor's works." One carriage was delivered at Woolwich, but the other three are stated in the final certificates to have been accepted at the contractor's works; why was it, therefore, that full payment was made in each case?—The error as regards the certificate clearly is owing to the question of the word "delivery." It has
been

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been used in two senses. "Delivery" in the one case has been held to mean the contract place of delivery—that is the contractor's works,—and in the other case the place to which the guns were actually sent when finally finished by the contractors. The original contract provided for delivery at Woolwich. It was then altered and delivery was to be accepted at the contractor's works and the carriages were sent to their stations direct, the 102*l.* being deducted from the contractor's bill, and he was allowed instead the actual cost of carriage. There is no actual money loss upon this at all, you will understand.

1011. You say the 102*l.* was deducted in each case?—Yes; 306*l.* was deducted from the contractor's final claim in regard to the carriages sent to Portsmouth and Pembroke. There is absolutely no money question involved in this paragraph at all.

GUNS AND CARRIAGES.

COMPENSATION TO CONTRACTORS.

1012. In regard to the case of compensation paid to contractors for change in pattern, which is referred to in paragraph 35, I presume that is almost an unavoidable loss, is it not, because any change of the breech mechanism of guns necessarily to that extent invalidates the contract, and you must make the best you can of it?—Yes, this sum of 2,334*l.* 12*s.* 7*d.* represents the actual excess cost on the contract involved by change of pattern. In this case again there is an increased price, but there is no real loss.

1013. You did what you could in getting the scrap value of the material that was retained?—Yes. We made a regular sort of balanced account of it. The value of the wasted parts was 11,898*l.*, and that, together with the value of certain parts cancelled from the contract, which was 926*l.*, made 12,824*l.* The total claim, including the new parts and everything, 15,158*l.*; and the difference, namely, 334*l.* 12*s.* 7*d.* represents the actual excess cost on the contracts involved in the change of pattern.

Mr. Goddard.

1014. Who devised this improved pattern of breech mechanism?—I suppose it would be the Ordnance Committee probably, at Woolwich, who design the armament.

1015. It would be an improvement devised since they gave the order for the guns?—Yes, by the light of subsequent experience, and so on. That, of course, often happens.

1016. Are you always liable to that?—Yes, I think you are always liable to that—you cannot help it. You get a report from the army in the field and you have to modify your pattern.

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Vote 9—*continued.*Guns and Carriages—*continued.*Compensation to Contractors—*continued.**Mr. Goddard—continued.*

1017. I should have thought it would have been a wise thing to have determined upon a good and proper kind of mechanism, and then to adhere to it?—A policy of that sort—the waiting for a perfect pattern—has resulted in the delay in getting field guns for the army extending over two years.

GIFT OF CARBINES AND SWORD BAYONETS.

Chairman.

1018. With regard to paragraph 36, of the 11,000 M.L.E. carbines which were to be given to the Royal Irish Constabulary, it appears that only 10,000 will be required by that force; what will become of the remaining 1,000 carbines?—They would remain in store.

1019. They would not be issued?—No, we only issued 10,000.

1020. What did you do with the 11,000 M.H. carbines which were given to the Royal Irish Constabulary in 1899, and which, it is stated in this paragraph, "will now be returned to the War Office"—how will they be used?—It is difficult to say what becomes of absolutely obsolete arms. Some people believe they re-appear in wild countries, but I fancy most of them are broken up.

1021. Are they sold?—They are sold, or more often broken up, I think.

Mr. Cohen.

1022. Have they been returned to the War Office, or will they be returned?—I should think so, they would be on charge. They are worth very little. If they are very obsolete we sell them; if they are at all likely to be of use, we do not sell them but break them up.

Sir Brampton Gurdon.

1023. Ought not some transfer to have been made in regard to the Vote for the Irish Constabulary?—The Secretary of State decided that the carbines and bayonets might be appropriated to the use of the Irish Constabulary on the ground that the service was a national one, and accordingly Treasury sanction was asked for that.

1024. That means that the Irish Constabulary Vote would be incorrect to that extent?—That must be admitted, I think, but it was considered that the service being a national one, as it was held to be, that might be done.

1025. It is extremely important that the House of Commons should know exactly what they are voting for the Royal Irish Constabulary, and this matter is really kept back from them, as it seems to me?—No; I should say there is a reason advanced and that is that the Royal Irish Constabulary were held to be a valuable force in case of mobilization for home defence, and on that ground they were given arms which would

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would enable them to meet an invader, those arms replacing absolutely obsolete weapons which would have been quite useless for that purpose.

1026. Then I, suppose you would say the same observation would apply to East Africa and the Uganda Protectorates? In that case, too, surely it ought to be charged to the Grant-in-Aid to those Protectorates, ought it not?—I would rather not express an opinion as to that. I am giving you the reason which was adduced for giving these carbines and bayonets free to the Irish Government, and the reason was that the Royal Irish Constabulary was considered as being a force auxiliary to the Regular Army in case of invasion. I do not think the question of invasion quite arises in the case of the Uganda Protectorate.

1027. What was the reason there?—I could not say—I have not that case immediately before me.

PRODUCTION STATEMENT OF THE ORDNANCE FACTORIES.

Chairman.

1028. (To Mr. *Kempe*.) This large sum of 1,553,420*l.* referred to in paragraph 37 is, I presume, distributed amongst various Departments on Vote 9?—*Yes.*

1029. We can probably discuss it better on your Report on the Army Manufacturing Accounts?—*Yes, I think so.* (Sir *Guy Fleetwood Wilson*). It is really the Ordnance Factories charge to Vote 9.

ON VOTE 10.

WORKS, BUILDINGS, AND REPAIRS.

Mr. *Goddard*.

1030. As regards Item M, "Army Ordnance Buildings," on page 44, there is a correspondence on page 184 between the War Office and the Treasury in regard to the matter. The War Office say that "In framing the Estimate of the amount that would be required for the Item Works for Explosives Committee," they had allowed 500*l.* for the fittings for the laboratory which were of an ordinary character, such as benches, sinks, etc., but they go on to say, "It now appears that it is very desirable that all the fittings, ordinary and special, should be supplied by a firm of laboratory outfitters;" they proposed to have the work done in a different way from what it was originally intended, and the estimate of the firm for all the fittings amounted to 2,397*l.* instead of 500*l.*?—*Yes.*

1031. I notice that the Treasury rather jibbed at this very large increase over the Estimate, and in giving their sanction they say that they "regret that before the new financial year began it should be necessary to depart from the scheme of expenditure contained in the Army Esti-
03.

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Vote 10—*continued.*Works, Buildings, and Repairs—*continued.*Mr. *Goddard*—*continued.*

mates"; but in this case you would admit, would you not, that an estimate of 500*l.* when you are really going to expend nearly 2,500, is practically a worthless estimate?—Nobody regrets a departure so soon from an estimate when it has been made more than I do; but in cases like a laboratory it is very difficult to keep a close check on what develops as it goes on, and, if I may say so, calls for further increase. The moment you come to deal with scientific people and scientific buildings it is extremely difficult to check expenditure, and I suppose as they went on they found they required these things and they insisted upon having them.

1032. The curious thing was that they did not know beforehand that they would have to take the opinion of these scientific gentlemen?—They would put in their estimate for what they wanted, as they thought, at the time.

1033. That does not alter the fact that we passed an estimate for 500*l.* and had to spend 2,397*l.* on the same thing. And, in addition to that, there was a sum of 932*l.* added to that, which really increased the total sum from 11,900*l.* to 14,729*l.*?—*Yes.*

1034. I simply draw attention to that because it is the kind of thing we have so often called attention to—the difficulty of getting from the War Office estimates which are worth anything?—I think, perhaps, that is hardly a fair way of putting it. You have in the War Office authorities who call for certain requirements, and the financial equivalent of those requirements, from many of the various departments which form the War Office. It is not a small concrete office, but it is a collection of departments—a large institution—and from the nature of the work, the development of the work in many of the branches of the War Office enables them to show good cause for going beyond their original demands. That results, of course, in an excess over the Estimate, but I do not think it can be held that the estimating has been at fault. A change in the conditions which attach to the work in certain departments requires more money to be spent as the year goes on, and it is practically impossible to refuse it in many cases. But it does not follow that every care has not been taken to form as correct and close an estimate as possible when the requirements were advanced by the people responsible for the particular demands.

1035. In regard to that answer I would like to call your attention to Item N on the next page, page 46. On page 47 there is published a List of Variations from Estimate, which is the very point I am raising. Taking those Variations out, I find that there are seven Services in the Estimate on which no expenditure at all has been incurred; there are 20 Services in which the expenditure was less than the estimate; there are four on which the expenditure exceeded the estimate; and there are three for which no provision

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Vote 10—continued.

Works, Buildings, and Repairs—continued.

Mr. Goddard—continued.

provision has been made at all but upon which expenditure occurred with Treasury sanction. That is very often largely attributable to a complete change of policy. You will find in barrack works and a building work generally large differences arise on the money side which are the outcome of changes of policy. You had a system, for instance, which is known as the Army Corps System, with certain stations and certain depots. That is entirely changed, and you have a policy which is no longer that policy but another policy and the buildings have to follow suit. That in itself will account in future years for heavy variations appearing when the accounts come before you from the figures which were originally taken.

1036. May I ask your attention to one very considerable deviation which arises out of a certain letter on page 187. There the War Office asked the Treasury to assent to an expenditure of 3,200*l.* in converting temporarily one of the hutments at Longmore into married quarters for four battalions expected home from South Africa. Those were subsequently reconverted into single men's quarters for which they were originally intended. The money had been provided by the Military Works Loan for the erection of permanent married quarters, but nothing was done, and consequently this 3,200*l.* is to be spent in this really nugatory work of making temporary provision. I notice that the Treasury gave their consent "on the understanding that accommodation is not available elsewhere and that no more economical plan can be devised." What I wanted to ask was, how long were the funds under the Military Works Loan available for this purpose?—They would be available from the time the works were commenced; we would not begin the work unless the money was available.

1037. But this money was not spent under the Military Works Loan, was it?—I am not quite clear which item you are referring to.

1038. I mean what is referred to in letters Nos. 62 and 63. I am drawing your attention you understand to these variations of estimate. I do not see any reason why this should not have been foreseen?—You cannot foresee a change of policy of that kind.

1039. But you must have known the troops were coming home?—No, we did not always know—I cannot say whether that applies to this particular case, but frequently troops were expected home and were held over in South Africa for a very long period. That took place with regard to a very large portion of the troops in South Africa. I am reminded that these particular four battalions were brought home quite unexpectedly. You have the case of the garrison regiments where you had double provision for married quarters and then they are not required—the same case will arise there. It is impossible to foresee a thing like that.

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Vote 10—continued.

Works, Buildings, and Repairs—continued.

Chairman.

1040. As regards the 14,729*l.* mentioned in Letter No. 53, to which the honourable member referred, that is the sum which is divisible between the Army and the Navy, is it not?—It is.

1041. A moiety of it was saved out of surpluses. I understand?—Yes.

Mr. Herbert Lewis.

1042. On Vote 10, with regard to the explanations given on page 47 under Sub-head (1) Could you tell me in respect of which of those items no expenditure has been incurred owing to the change of policy in consequence of the abandonment of the Army Corps System?—I did not wish to imply that in any of those cases it was due to the particular reason of the Army Corps System being abandoned. I illustrated that as a case of change of policy.

1043. You do not know whether it applies to this particular case or not?—No, I cannot tell you whether it applies to that particular case. The Hospital Committee was formed and reviewed many of these proposals which had been put forward. It was the appointment of the Hospital Committee, I think, which led to these changes.

1044. The difference in the case of Sub-head N, "Barracks" is very large, amounting to the sum of 97,386*l.*; would it be possible to furnish the Committee with a paper showing the extent to which the various items mentioned on page 47 are accountable respectively for the difference?—As I understand you would like to have the reasons covering the various items on page 47?

1045. Yes?—I have no doubt that could be given.

1046. The reason I ask the question is this: The difference is very large and it covers a very considerable number of items, and as the explanation stands the Committee have no information as to the proportions in which the various items have to bear their share of the difference?—I understand what the honourable member wishes (and I have no doubt the Chairman would also like me to put it in) is an explanation of the reasons for the cases of variation appearing on page 47.

1047. Yes, so that we should know to what extent it is due to change of policy or otherwise?—Certainly.

Chairman.

1048. Could you get that information at home without sending out to distant places? I observe, for example, one item is "China-Pekin—Build Commandant's House?"—I will get all the information I can. I cannot say whether I shall be able to get it in all cases.

Mr. Herbert Lewis.

1049. The accounts have come home; I understand?—The accounts have come home, but not necessarily

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necessarily the explanation of the change. I should think, however, there would be no difficulty in getting the explanation in each case. If there is any difficulty and I cannot get the explanation this session you shall have it later on.

1050. The object of my question was to ask you to give it to us now—as soon as possible?—Yes, I think there will be no difficulty in giving the explanation.

Mr. Goddard.

1051. As regards the first two classes there would be no difficulty because they refer to buildings in this country?—I do not anticipate any difficulty. I think we can give explanations as regards all of them.

ON VOTE 12.

MISCELLANEOUS EFFECTIVE SERVICE.

SUB-HEAD II., MEDALS.

Chairman.

1052. The large under-estimate referred to in paragraph 38, I gather, was due to a miscalculation as to how far the Mint could supply bullion, and also to a great under-estimate of the number of men who were entitled to medals and clasps—particularly clasps?—Yes; it was not anticipated at first, for instance, that all the Town Guards would receive medals. The original intention was to limit the medals to men who actually took part in engagements, but pressure no doubt was brought to bear and it was very much enlarged, and a very much larger number of medals was required. But there is also a miscalculation as to the amount of silver which would be required to make the medals. That was owing to a somewhat intricate arrangement which divided the responsibility between the Military, the Financial and the Mint authorities. That has been since very much simplified, and I hope in future we shall have no difficulty of this sort.

1053. Will you just tell us what the new arrangement is?—Under the new system the Mint is told what medals will be wanted for the year, and that department now makes its own arrangements as to the provision of the silver, rendering towards the end of the year an account to the War Office of the silver so bought. Of course that will not correct a miscalculation as to the number of medals required, but that miscalculation was largely attributable to the difficulty of getting the medal rolls and to the impossibility really of knowing who of these Irregulars would be entitled to them and who would not. Here, as in many other cases, we failed to realise the vast numbers we had to deal with in the South African War. Of course the medal rolls in this case represented enormous numbers.

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 12.—*continued.*

Miscellaneous Effective Service—*continued.*

Sub-head II., Medals—*continued.*

Mr. Goddard.

1054. You realise that the difference is as between 1,000*l.* taken in the estimate and 25,000*l.* expended; it is therefore an enormous difference?—Yes. We were also under the impression that there was a large stock of silver in the Mint, in regard to which we were mistaken.

1055. Can you tell me what the cost of a medal is?—I think it is 2*s.* To a man who has lost his if he wants to buy one we charge extra.

Chairman.

1056. If you had had the silver at the Mint, would you not have had to pay for it just the same?—We bought silver and kept it at the Mint, and apparently we were under the impression that the stock there had not been depleted to the extent it had been.

Mr. Goddard.

1057. Surely your figure of 2*s.* must be an under-estimate. As I understand, the silver in the medal alone costs 2*s.*?—No; I think that is the value of the medal itself when it is made.

1058. It is stated in Letter No. 141 that for the 150,000 medals the cost of the bullion—the silver alone—would be 17,120*l.*—that is to say, more than 2*s.* each. How do you get away from that statement?—If that is so, I am wrong. I do not profess to know exactly the price of the medal. I gave it to the best of my ability.

1059. Taking the cost of the medal at 3*s.* this difference represents something like 170,000 medals?—I can only tell you to the best of my ability what took place, and it was this. No doubt a considerable error was made in calculating the number of medals required. It was never anticipated that the medal rolls would represent such enormous numbers as they ultimately did. I may also add that the decisions at first arrived at as to those who would be entitled to medals were modified more than once and a large number of people came within the claim, so to speak, for medals who had never been expected to come within the claim. There was, also, as I have said, a mistake in regard to the amount of silver which we had at the Mint, and no doubt there is a very great difference between what we provided for originally and what we had to provide for in the end.

1060. Can you say within a little what was the total number of medals required?—I cannot say straight off; it was very very large.

1061. Was it a good deal more than double what you originally contemplated?—I cannot answer your questions, but if you want to know how many medals have been issued for South Africa no doubt I can furnish you with the information when we meet again.

1062. Some

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Vote 12—*continued.*

Miscellaneous Effective Service—*continued.*

Sub-head II., Medals—*continued.*

Sir *Brampton Gurdon.*

1062. Some of the Mediterranean garrisons got them?—Yes, and I think the St. Helena garrisons got them, too. Then again it was never anticipated, for instance, that the Militia would go out.

Mr. *Cohen.*

1063. There is one expression which you have used several times which I do not quite understand. You said that a mistake was made in the amount of silver you had belonging to you at the Mint; are there no books kept at the War Office showing the amount? Do they not know how much silver they have as their own property at the Mint? There must surely have been some books on record kept, and, if so, it seems strange that there was a mistake to such an enormous amount as this?—There was a mistake, I think, distinctly. No doubt they did know, or would have known if they had looked into it. But the military demand for medals in the first instance was thought to be very small relatively, and the financial side, who had to look after the silver part of it, thought there was silver enough. It was undoubtedly a miscalculation. I do not defend it.

1064. I want to get at the actual facts. Did the miscalculation arise because more medals were wanted than you expected, or was it because you had less silver which was your property at the Mint than you expected?—I should say we would know what silver we had at the Mint, but where the error arose was in not carefully looking into the point and knowing how much silver we really had.

1065. I do not quite understand. You say you did not know how much silver you had, and nevertheless it was possible to know how much you had?—Yes, the impression was that there was plenty of silver at the Mint, but sufficient care was not taken to look at the books to which you have alluded to ascertain exactly what we had got.

1066. Therefore they acted upon an erroneous belief of what they had?—Yes, I believe that was the case. Of course, this transaction was some time ago.

1067. Then there were two causes operating together, one, the large number of medals required, and the second, the small quantity of metal from which to make them?—Yes.

1068. The second cause was rather a reflection upon the War Office in that they did not consult their own books?—You must remember that there was great pressure. There was a misunderstanding as to the silver that was there. They ought to have been more careful no doubt. It is unfortunate and regrettable.

Mr. *Herbert Lewis.*

1069. What charge does the Mint make for stamping or coining the medals?—They do not

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Vote 12—*continued.*

Miscellaneous Effective Service—*continued.*

Sub-head II., Medals—*continued.*

Mr. *Herbert Lewis—continued.*

make any charge for profit out of it; they only charge us the actual cost of the silver.

1070. Then from time to time the War Office sends a certain amount of bullion to the Mint; is that so?—We used to do so, but that has been changed, because of this case. For the future we shall only order the medals and the Mint will provide the silver, which is more business like.

Mr. *Buchanan.*

1071. Upon that point I see the Comptroller and Auditor General says at the end of the paragraph, "It may be observed that the Treasury in assenting to this proposal stated that it would not in itself prevent a repetition of the recent under-estimate by the War Office"—It will not prevent a repetition as regards the miscalculation of the number of medals required. Obviously that is a mistake and nothing will obviate that except greater care and attention and also greater knowledge. We did not know how many men we had to provide medals for. The numbers that were given to us from South Africa were incessantly varying, and the decision as to those who would be entitled to receive medals was also incessantly varying.

1072. (To Mr. *Chalmers.*) When the Treasury expressed that view did you think there might be better arrangements made for estimating the necessary expenditure on medals in future?—The Comptroller and Auditor-General correctly quotes one remark in what I believe is the last Treasury letter upon the subject. There we were directing our attention to this; that in making the War Office think in terms of medals, so to speak, instead of bullion, we were clearing away some of the ground for trouble, but of course there always remains the essential factor in a calculation of this sort, namely, the number of men to whom the medals have to be supplied, and no amount of improved machinery would clear away that difficulty.

1073. I suppose this was a very specially difficult case as regards that point?—(Sir *Guy Fleetwood Wilson.*) To give you one instance, the whole of the Town Guards were suddenly brought in. Every town in South Africa has its Town Guard; they occupy very much the same position as volunteers in this country, and you will realise that if you suddenly had sprung upon you that every volunteer was to receive a medal it would throw out all calculations as to the number of medals required.

Sir *Brampton Gurdon.*

1074. Who was it that decided who should be included?—I should say the Government on the representation of the military authorities—Lord Roberts and Lord Kitchener. The matter was considered no doubt from various aspects

1075. In

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 12—*continued.*

LOSS ON MANUFACTURE OF BRONZE MEDALS
FOR NATIVES.

Chairman.

1075. In regard to paragraph 39, as I understand, the position is this: The South African authorities originally applied for 100,000 bronze medals for distribution, and then they found that 59,000 were not required?—Yes. This is a very good illustration of the difficulty of dealing with a change of policy in regard to medals. It was decided, first of all, that all the natives who had served us during the war were to receive a bronze medal. It was then brought to notice that if these Kaffirs wore this medal no Boer would employ them—it meant having all these men out of employment because they were at once car-marked as men who had fought on our side or had helped us. It was therefore considered advisable not to issue these medals.

1076. And it cost us 3,000*l.* before the mistake was found out?—Yes.

Mr. Goddard.

1077. There is one little matter I should like to ask about under Vote 12, on page 56 under Sub-head J, "Miscellaneous." There is a small sum of £236 15*s.* 6*d.* paid to Colonel Phillips, "in respect of 451 copies, remaining unsold out of an edition of 3,000 copies, for which the War Office was liable, of his work on field engineering." It is something rather new, is it not, for the War Office to undertake to guarantee the sale of a work?—There is an explanation given as to that on pages 210 and 211.

1078. At pages 210 and 211 it is said that the book was sold at 15*s.* and the War Office gave "an implied undertaking" that not less than 3,000 copies of the book should be sold at Sandhurst and Woolwich. I do not see what the War Office got in return?—I fancy what does sometimes happen is that an officer writes a valuable text-book which, of course, has no sale except as an educational work, and the War Department encourage him if it is a good book by helping him over the expenses of publication and bringing out the book.

1079. Of course I could understand it if they had given facilities to students at Sandhurst and Woolwich to obtain copies of the book even at a reduced price, but here they had undertaken to recompense the author and the publisher against any loss—they had given a guarantee. That seems to me a most extraordinary proceeding?—They did reduce the price to the students.

1080. I see the price to the students was reduced to 10*s.* 6*d.*, but they had given a guarantee as well?—You alluded to facilities being offered to students who wanted to buy the book by letting them have it at a lower price, and I am pointing out that that has been done in this case.

1081. But further than that, they guaranteed the author and publisher against any loss. On

03.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 12—*continued.*

Loss on Manufacture of Bronze Medals for
Natives—*continued.*

Mr. Goddard—continued.

what ground should the War Office subsidise an author in that way? Surely it is no part of the duty of the War Office to subsidise authors, is it?—It was deliberately done in this case, after considering the question, by those who were responsible for dealing with it. That would be a matter of policy for the Army Council. That is the explanation which is put before you here. I am not prepared to go into the merits or demerits of the decision, because it has been arrived at by the Army Council, and I have to accept it.

ON VOTE 13.

WAR OFFICE SALARIES AND MISCELLANEOUS
CHARGES.

Mr. Goddard.

1082. On page 58, Sub-head in B, "Salaries of Military Department," there is an excess expenditure of 3,068*l.*, which is explained as being "due mainly to increase of staff, including the extra staff approved for the 'History of the South African War'"?—Yes, it is practically that staff which causes the increase.

1083. Who "approved" that extra staff? Was it the Treasury or the War Office?—The Secretary of State and the Treasury.

1084. The author of this history, I understand, was originally Colonel Henderson?—Yes, and now General Maurice is going on with the work.

1085. Have you any idea as to what the "History of the South African War" is going to cost?—6,000*l.* a year for three years.

1086. Is this gentleman to receive that?—That is what the book will cost to produce. That is the arrangement; that is the cost of General Maurice's staff.

1087. When it is finished will it be the absolute property of the War Office?—I think it is to be our property. There have been some changes since Colonel Henderson died.

1088. Is the author to have any copyright of it?—No, I do not think so.

1089. It is in accordance with the usual practice to have an arrangement of this kind?—We do not usually have a South African War.

1090. But you have had other wars?—I do not think we have had anything of this magnitude. We may have paid a small sum to a person for drawing up something that would be useful, but this is no doubt an exceptional matter arising out of an exceptional war.

1091. It is a technical work, I presume?—It is to be a technical work.

1092. Is there any advantage in this work, for instance, as compared with taking the "Times" History of the War?—I do not suppose it would be any advantage to you, or to me, if I may so put it, but is held that there should be a military work

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Vote 13—continued.

War Office Salaries and Miscellaneous Charges—
continued.

Mr. Goddard—continued.

work regarding the war, just as the German Staff has had a history compiled of its war of 1870 quite irrespective of the very valuable and admirable histories which were published by civilians.

1093. And it is considered that 18,000*l.* is not an undue sum to pay for it?—It is a very big work—it is a three years' job, you must remember.

1094. (To Mr. Chalmers.) Has this matter been under the consideration of the Treasury?—It has been a matter of protracted consideration between the Departments, and 6,000*l.* for three years represents the decision that has been reached.

1095. That represents 18,000*l.*?—Yes; that is for the staff.

1096. That does not include the printing of the book, I gather. That is merely for the staff?—That is for the staff; but I think I am right in saying that the printing of the book will not form any extra charge on the public funds, which public funds, however, stand to win if the book sells. That is the arrangements regarding publishing; the publisher takes the risk and we have a certain share of the profits, or the net sum per volume—at the moment I forget which.

1097. It is not being brought out by the Stationery Office?—No, by a private firm—Messrs. Hurst and Blackett.

Mr. Pym.

1098. (To Sir Guy Fleetwood Wilson.) I suppose it is regarded as being a highly technical work of very great value involving new points of consideration in regard to military tactics, and so on?—Quite so.

1099. Is it the case that the cost has been estimated by military officers who understand how much knowledge and information as to technical details and so on will be required to bring out a book of that sort?—The estimate was arrived at in this way; we had to find a successor to Colonel Henderson who died, and General Maurice said; "If you will give me such and such a staff I can go on with the work and complete it," and that staff represents £6,000 a year for three years.

1100. Could you tell us what arrangement was made with Colonel Henderson?—The arrangement with Colonel Henderson was somewhat different. I am not conversant with the exact details of the arrangement made with him. But that arrangement absolutely lapsed on his death.

1101. It is rather an important point, I think. Was there no arrangement made with him as regards the price?—There was no arrangement, I understand, which in any way affects the present arrangement. The arrangement with him lapsed, so to speak, with his life.

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Vote 13—continued.

War Office Salaries and Miscellaneous Charges—
continued.

Mr. Pym—continued.

1102. But you do not know personally, at the present moment, that any arrangement was made with him involving a specific sum of money?—I know an arrangement was made with him, but I do not know what that arrangement was, and I do not know what the cost would have been.

1103. Do you think you could find that out?—Yes, but as I say, it has lapsed with his life. Colonel Henderson only wrote one or two chapters.

1104. The object of my question was to compare the arrangement which was made with him with the arrangement which has been made, with the sanction of the Treasury, for General Maurice and his staff?—At the present moment I do not know what the arrangement was.

Mr. Goddard.

1105. (To Mr. Chalmers.) Perhaps the Treasury could tell us?—I am sorry to say I have not got the exact figures with me, but, as Sir Guy Fleetwood Wilson has said, we can easily produce them. I think generally the arrangement was that Colonel Henderson had a salary for himself, and he had, I think, two or three assistants, and the book was to be brought out by the same firm of publishers.

1106. Was there a limited time specified in which he was to produce the work?—I do not remember that.

1107. That arrangement was before the Treasury, I take it?—It was.

1108. Sir Guy Fleetwood Wilson says now that arrangement has fallen through and they had to make a new arrangement; the Treasury know what that new arrangement is going to cost?—Yes.

1109. And you know what the former arrangement was?—Yes; I am only saying I do not carry it in my head at the moment.

Mr. Pym.

1110. I desire to get the information in order to be able to compare the two arrangements, that which was made with Colonel Henderson and that which has since been made with General Maurice?—I should like just to add this remark. I think the two books are rather different in scope—they do not strictly compare, the one with the other. The work which General Maurice is producing is, as Sir Guy Fleetwood Wilson has said, a book intended for soldiers—a technical book involving a considerable amount of technical work.

1111. Perhaps that will be brought out in the information you could give us. I mean the difference between the character of the work which was entrusted to Colonel Henderson and the work which is now undertaken by General Maurice?—Yes.

1112 Was

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Vote 13—continued.

War Office Salaries and Miscellaneous Charges—
continued.

Mr. Cohen.

1112. Was any payment made to Colonel Henderson?—He was paid his salary while he was alive.

1113. That would be in addition to this 18,000l. Is there no work left by him?—There is a great deal of material which, I think, has been taken over by General Maurice.

1114. That would go to some extent in relief of any expenditure that would have been incurred?—Subject always to the change in the scope of the book, that must be so. (Sir Guy Fleetwood Wilson) It would not be in relief of the 6,000l a year.

1115. We cannot get out of that contract, I understand. (To Mr. Chalmers.) But I imagine the Treasury considered there was that amount of work placed at the disposal of General Maurice for the completion of the work begun by Colonel Henderson?—No doubt the expense of such a book as is proposed by General Maurice would have been greater to some extent had there not been the work done by Colonel Henderson for which he was paid.

Mr. Goddard.

1116. (To Sir Guy Fleetwood Wilson.) Is the arrangement which has been made with General Maurice a final and definite arrangement?—I believe so, he is to produce the book in three years and to get 6,000l a year for producing it to cover the salaries of his clerks and officers.

1117. It is so clear, is it, that there is no possibility of an excess vote being come for to complete the volumes?—I had nothing to do with the drawing up of the details of the agreement, I cannot speak to that.

Mr. Buchanan.

1118. Was any estimate ever submitted to the House of Commons as regards this "History of the South African War"?—has it ever appeared in the Army Estimates?—(Mr. Chalmers.) Yes, in the recent Estimates.

1119. Specifically as a sub-head?—There is certainly provision for the officers contained in the Army Estimates under Vote 13.

Mr. Goddard.

1120. Has it ever been mentioned in a Note in the same way as it is here?—(Sir Guy Fleetwood Wilson.) It appears in this year's Estimate.

Mr. Herbert Lewis.

1121. Is General Maurice exclusively engaged upon this work?—Yes.

1122. It is an arrangement or a contract, with General Maurice as an individual?—Yes.

O.S.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 13—continued.

War Office Salaries and Miscellaneous Charges—
continued.

Mr. Herbert Lewis—continued.

1123. And he provides his own staff at his own discretion?—I believe so.

1124. When did the period of three years commence; how much of the three years has now elapsed?—It has been going on since January 1904.

1125. Have any volumes been issued so far?—I had not anything to do with it at the time and I cannot give you all these details. As Mr. Chalmers has undertaken to give you full information as regards the two arrangements that were made it seems to me, if I may say so, that I can hardly do any good by endeavouring to answer your questions at present, though I am quite ready to answer any question you put to me that I can.

ON VOTE 14.

NON-EFFECTIVE CHARGES FOR OFFICERS, ETC.

PAYMENT OF VALUE OF A COMMISSION.

Chairman.

1126. Paragraph 40 refers to a payment of 1,200l. to a member of the Honourable Corps of Gentlemen-at-Arms who was entitled to receive the value of his Commission?—Yes, it is in respect of the value of his Commission.

Mr. Herbert Lewis.

1127. What is the age of this gentleman?—I have tried to ascertain his age, and we do not know it; but, in point of fact, his age has nothing to do with it. This payment represents the value of his Commission in the Corps. That value was held up until his retirement, when it was handed over.

1128. May I ask a general question upon paragraph 40. May we anticipate that further claims of this kind, at all events, will be resisted in future?—I think this is the last case.

1129. Is it absolutely the last case of the kind in the Army?—I think it is the last case in regard to the Honourable Corps of Gentlemen-at-Arms.

1130. But there are a number of others, are there not?—Yes, but they would not be men who had got "purchase" money owing to them; they would have come in after purchase was abolished.

Mr. Goddard.

1131. Did this gentleman purchase a commission?—Yes, a commission in the Corps. There was owing to him 1,200l.; this is in respect of the value of his commission.

1132. And does he give up any retired pay or half pay in consequence of receiving this compensation?—He had no retired pay. This payment was made on his retirement.

1133. I

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Vote 14—*continued*.Non-Effective Charges for Officers, etc.—*cont.*Payment of Value of a Commission—*cont.*

Mr. Pym.

1133. I do not suppose you are old enough to remember the fact, but before the re-arrangement of the Corps of Gentlemen-at-Arms was made any civilian could go into it; he had to pay 1,200*l.*, or somewhere about that, for his appointment as a Gentleman-at-Arms?—Yes.

1134. I want to know whether this particular gentleman is the last of those who came in or whether he was a retired officer of the army?—He was the last, and not a retired officer.

1135. That would account for the 1,200*l.*?—Yes, I think he was 40 years in the service. He is the last of those so entitled to compensation.

WIDOWS' PENSIONS, ETC.

Chairman.

1136. In regard to paragraph 41, this is a change bringing the Army system into conformity with that of the Admiralty, calculating the "means scale" of a widow upon what her actual income is, and not upon what their securities would bring in if invested at 2½ per cent. stock?—Yes; it used to be calculated upon the value in Consols—that is to say, on an assumed value if her securities were sold out and invested in Consols at the time being.

1137. Does not this seem a much more reasonable mode of calculating it?—Yes, and it has the advantage of being in conformity with the Admiralty system and also of having received the approval of the Comptroller and Auditor-General. We are all in accord upon it.

SUB-HEAD J.—PENSIONS AND GRATUITIES TO WIDOWS, ETC., OF OFFICERS.

1138. In regard to paragraph 42, this sum of 4,500*l.* is merely the payment which the children of this widow were entitled to at her death, because she was the widow of an officer killed in the Crimea, whose commission was worth 4,500*l.* She gave up the pension of 200*l.* which was awarded to him, receiving only interest on the value of her husband's commission, in order to leave the value of the commission to her children?—Yes. The capital sum of 4,500*l.* has now become payable to the two sons. The matter has been laid before Parliament in accordance with the warrant.

Mr. Goddard.

1139. How does it happen that this payment is only made just now in respect of this officer?—Because the widow has only just died.

1140. Is there any record kept of cases of this sort. It is spoken of here as an "unexpected payment," but it has always been expected that you would have to pay that sum of money some day or other?—(Mr. Gibson.) We could not

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 14—*continued*.Sub-head J.—Pensions and Gratuities to Widows, etc. of Officers—*continued*.Mr. Goddard—*continued*.

provide for it in these Estimates. (Sir Guy Fleetwood Wilson.) We could not foresee when the widow would die.

Mr. Herbert Lewis.

1141. I understand the honourable member's question to be this: are there several cases of this sort, and if so is it not desirable to make an annual estimate on account of those cases?—The case arises very rarely, so that it is not considered necessary (as it cannot be foreseen when the money is wanted) to take an item in the Estimate for it.

Mr. Goddard.

1142. I suppose, as a rule, the widows take the pensions?—Yes. There are very few cases of this sort.

ON VOTE 15.

NON-EFFECTIVE CHARGES FOR MEN.

Chairman.

1143. The arrangements referred to in paragraph 43 will result in a saving of nearly 2,000*l.* a year to Army Funds if the Colony pay a proportion of the pensions of non-commissioned officers entering colonial employment?—That is so.

1144. In what cases are non-commissioned officers ever lent to foreign governments?—They are lent mainly to instruct soldiers in drill. I remember a case where we lent two non-commissioned officers to Morocco; that is the sort of case—Egypt comes in also.

EXPENDITURE IN CONNECTION WITH THE CHINA EXPEDITIONARY FORCE.

RECEIPTS FROM DISPOSAL OF STORES.

1145. Have the Indian Office yet rendered this account asked for by the Comptroller and Auditor-General in paragraph 46 in respect of animals and stores returned from China and sold?—No, they have not done so yet.

1146. Of course, there can be no audit until it is rendered?—No.

ADJUSTMENT OF EXPENDITURE IN CHINA.

1147. In regard to paragraph 47 has the War Office yet received the full information it called for?—Full particulars have not yet been received.

1148. When they are received I presume they will be communicated to the Comptroller and Auditor-General?—Yes, we have cabled out quite recently, but we have not yet got full information.

1149. It.

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[Continued.]

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Vote 15—continued.

EXPENDITURE IN CONNECTION WITH THE
SOMALILAND EXPEDITIONARY FORCE.*Chairman*—continued.

1149. It will be understood in future, both in regard to paragraphs 49 and 50, that if the natives do not sign their receipts then two witnesses must be produced?—Yes, the payments made since the period referred to, here have been supported by the necessary certificates. The attention of the Paymaster was drawn to the matter.

Mr. *Herbert Lewis*.

1150. What are the qualifications of the witnesses in this case; do you require any special qualifications?—No, I think not, except that they must be two responsible persons.

1151. Unless they are responsible persons you are absolutely in the hands of persons making claims, is not that so?—I think one would accept ordinary witness as you do in regard to most documents. In most cases where there was a payment to natives, there would not be many Europeans there and he would probably call in two officers or something of that sort. If we had reason to suppose there was anything wrong we might look into it.

STORE ACCOUNTS OF PROTECTORATE.

PAYMASTER'S PURCHASES.

Chairman.

1152. Have you received from the General Officer Commanding the troops in Somaliland what is asked for in paragraph 51 as to the Protectorate Paymaster's certificate?—We have asked for it; we have not got it yet. We thought at first the purchases were merely of a petty nature; but they appear to have been important, and so we have called for full information in regard to them.

1153. That again will be handed on to the Comptroller and Auditor-General when received?—Yes.

ACCOUNTS OF ORDNANCE STORES, PREVIOUS
TO HANDING OVER DEPOTS TO INDIA.

1154. In regard to paragraph 52 it appears that the Accounts are under examination at the War Office, but have not yet been handed over?—We have done all the examination at the Office that we can do. The Field Controller sent a certain amount of information, much of which is satisfactory, but some is not. We propose to approve the Account conditionally when we have noted the vouchers still in the Controller's possession; we have called for more information; he has promised it, and we expect to get it.

UNVOUCHED EXPENDITURE.

Chairman.

1155. (To Mr. Kempe.) In reference to paragraph 53, are you satisfied that this was the

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 15—continued.

Unvouched Expenditure—continued.

Chairman—continued.

best policy which could be adopted; that as the money was voted in the Votes for this expenditure it should be charged against this year with the understanding that if any adjustments took place afterwards they should be accounted for in the following year?—I think so. With the safeguards we have got here I think the proposal may be adopted safely.

1156. If it were not done you would throw out all the Estimate, would you not?—Yes.

SOUTH AFRICAN CONTINGENT, MISSING
VOUCHERS.

1157. I observe that some vouchers referred to in paragraph 54 were lost in the War Office itself?—Yes. They had already been passed. I have no doubt these vouchers are among War Office papers somewhere, but the Committee are well aware of the enormous difficulty we are in from the point of view of buildings. I have some men in Pall Mall, some on the opposite side of Pall Mall, some in St. James's Square, and some in Victoria Street and some elsewhere. No doubt these vouchers have been put inside in some other bundle, and they may or may not turn up; I think they will. But they have been dealt with.

1158. They were received and examined?—Yes.

NON-VOTED ACCOUNTS.

GENERAL BOWLES' LEGACY.

1159. In regard to paragraph 57, we had this case of General Bowles' legacy before the Committee last year, and it was then understood that the War Office would apply to the Charity Commissioners?—Yes. The Charity Commissioners are considering an objection which has been raised by the Royal Patriotic Fund, but as soon as that has been disposed of this new scheme will become operative.

1160. That scheme will provide for grants of relief to the wives and children of soldiers who have served in the Coldstream and Scots Guards, and if they fail it will be applied for the benefit of the widows or children of soldiers?—Yes, in payments to widows and children or to any home or charitable institution for the benefit of the widows and children of soldiers.

1161. That scheme has commended itself to the War Office?—Yes, and I think to everyone. There is a question with the Patriotic Fund Commissioners, but that is the only thing that is hanging it up.

1162. Do I understand you to say that they are objecting to it?—I do not think they are objecting to it. I do not quite know what the point is between them and the Charity Commissioners.

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Friday, 5th May 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Blake.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.

Mr. Cohen.
Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in;
and Examined.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Sir GUY D. A. FLEETWOOD WILSON, C.B., recalled; and further Examined.

Chairman.

1163. (To Sir Guy Fleetwood Wilson.) Will you kindly tell us what is the latest information with regard to Sir William Butler's Committee and their Report?—I saw Sir William Butler yesterday, and he asked me to state that some delay had occurred in consequence of the non-receipt of documents from South Africa, but that they were now engaged on their Report, and that he hoped early next week to put it in the hands of the Secretary of State, as I understand, together with the evidence. Whether it will be ready at the beginning of the week or later in the week I do not know; he did not know himself; but the Report is practically almost drafted, and it will be in the hands of the Secretary of State some time during the coming week.

1164. Then the evidence is closed, and the Report is practically drafted?—The evidence is closed, and the Report is on the stocks, so to speak.

1165. It is understood that we shall have the evidence as well as the Report?—I really could not answer for the Secretary of State and the Council. The Report will be referred to the Secretary of State, who appointed the Committee, and it will be a matter for the Secretary of State and the Council. I have represented to the Secretary of State that the Committee would like to have the evidence as well as the Report; and, if necessary, I presume, an official communication would go to the Secretary of State on that subject.

Mr. Blake.

1166. I think if necessary an official communication of the strongest character should be sent to that effect, for, speaking for myself, I attach more importance to the evidence than to the Report?—I do not wish you to interpret what I have said as implying that it is at all likely that it would be refused, but all I mean is I cannot say what the Council will do.

Mr. Gibson Bowles.

1167. There is one question with regard to the evidence and the Report I wish to ask. I presume Sir William Butler's Committee will have had before it all the correspondence that has passed between the Treasury and the War Office relative to these matters?—Sir William Butler has had every paper which he chose to call for. All the papers of every sort have been placed at the disposal of the Committee, and I presume that every letter from the Treasury or to the Treasury would be included.

1168. (To Mr. Chalmers.) Can you give us any information on that point?—I do not think there has been any correspondence on this subject with the Treasury. The War Office regarded it as being within its own competence.

1169. (To Sir Guy Fleetwood Wilson.) Will Sir William Butler attend before this Committee?—He asked me to say that he, like everybody else, holds himself at the order of this Committee if this Committee wish to call him. I should

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued

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Mr. Gibson Bowles—continued.

should not be justified, nor should I be inclined, to shed my responsibility as Accounting Officer, and with the permission of the Committee I should propose to be here also, but no doubt the Committee would prefer to examine Sir William Butler himself, as well as taking me over the various points.

Chairman.

1170. We will not go into that. Are there any other points in regard to your former evidence you wish to refer to?—There were four points I had reserved over. One of them was with regard to Mr. Lewis's request for an explanation of the variations shown on page 47 of the Appropriation Account. Of course I had to call from all sorts of places and persons for this explanation, which I only received last night, and it did not seem to me to be quite clear, and therefore I should like to have an opportunity of examining it further before putting it in. I hope to be able to put it in next week. Then the next point is one that Mr. Goddard raised with regard to the cost of the medals. He maintained that the cost of a medal was 3s. I find it is not quite 3s., but it is very near 3s.—it is nearer 3s. than the figure I mentioned, 2s. I wished to tell him that, and also to give him the information which he asked for as to the total number of medals issued. I find the total number issued, including those estimated for 1905-6, is no less than 612,000. I think perhaps that very large number is the cause of our under-estimate. Then I was asked at Question 957 to give a fuller explanation in regard to the deficit of 5,683*l.* in regard to Regimental allowances of Militia, Sub-head C. I now propose to give the explanation. Owing to the Militia having been embodied during most of the previous three years in consequence of the South African War, the preparation of the estimate of this Vote for the year 1903-4 was extremely difficult. To the extent of 1,215*l.* the deficit on this Sub-head arises on the item for Band Allowance, in regard to which the War Office had had no experience whatever, as the Allowance was only instituted in 1899, and, of course, was drawn under different conditions during the war. The balance of 4,468*l.* out of this deficit of 5,683*l.* arises on the other items on the Sub-head, but is mainly due to an under-estimate of Officers' Mess Allowance. This charge varies according to the number of officers called up for duty at depôts, etc., or undergoing courses of instruction, a number which, for some time after the war, was unusually large. So that I think that deficit of 5,683*l.* may be fairly held to be attributable to the difficulties created by the entirely new condition of affairs. Then the last question which was held over was as to the History of the War. There was an understanding that Mr. Chalmers should furnish a statement showing exactly what the arrangements were in regard to the History of the War, but I have heard from Mr. Chalmers that the Treasury thinks it is more a War Office matter

O.S.

Chairman—continued.

than a Treasury matter, and so it devolves upon me to place before the Committee a clear statement of what the two arrangements were. I only received that intimation from the Treasury last night; the Committee, therefore, will not expect me to put in that statement to-day, but they will have it as soon as ever I can get it ready.

1171. You were going to produce the agreements that were entered into, I think?—The agreement with Colonel Henderson in the first place, and the subsequent one with General Maurice? In respect of that, I may mention, on looking over my evidence, I observe that I appear to have included General Maurice's own personal salary in the 6,000*l.* per annum that was allowed. His salary is outside that 6,000*l.* However, all that will be shown in the statement which I will put in.

SOUTH AFRICAN WAR EXPENDITURE.

EXTRA EXPENDITURE INCURRED IN CONSEQUENCE
OF THE WAR IN SOUTH AFRICA.

1172. The sum charged on these Votes for the war expenditure is 3,230,000*l.*, but of that large sum 2,000,000*l.* is for payment to the Civil Government of the Transvaal and the Orange River Colony for supplies commandeered during the war, is not that so?—Yes.

IMPERIAL MILITARY RAILWAYS.

1173. I think we must necessarily take these Railways together, must we not?—They all hang together.

1174. (To Mr. Chalmers.) The Committee observe with satisfaction that in the Treasury letter which you put in at the first meeting they endorse the view this Committee take, viz., that the expenditure on these military railways ought to have been submitted earlier to Parliament?—That is so.

1175. Therefore the Treasury fully endorses the view taken by the Committee that that Vote should have been taken earlier?—That is so.

1176. Have you nothing you desire to add to the letter you put in at the first meeting?—No, I think the Treasury letter explains the Treasury's position.

1177. The Treasury letter says this:—"My Lords recognise that the proper course would have been to lay the case before Parliament as soon as the facts were ascertained, in order to obtain Parliamentary sanction in Supply to an expenditure, which, though incidental to the war and necessitated by the circumstances of the time, was of a character so exceptional as not to have been before Parliament when sanctioning the grants from which the expenditure was defrayed. For this omission to present an Estimate before the end of 1903-4 responsibility rests on the Treasury and War Office jointly." (To Sir Guy Fleetwood Wilson.) With regard to this matter,

I wish

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Imperial Military Railways—continued.

Chairman—continued.

I wish you to understand that the Committee do not endorse the view that Sir Edward Ward put forward in his letter, namely, that the War Office were entitled to use this money because they were using it for transport purposes. We do not consider that that included the whole of this money in regard to the railways. So far as I know the Committee do not desire to re-open the question again; but they desire to place their view on record?—That will no doubt appear in the Minutes of Evidence, and I will make a note of it and put it forward officially.

1178. With regard to this whole account, it appears from paragraph 64 that the original claim was 1,250,000*l.*?—It was.

1179. Then that claim was compromised, or compounded, for a sum of 500,000*l.*?—Yes.

1180. What the Committee would desire to have, I think, would be the correspondence between the Colonial Office, the Treasury, and the War Office as to how that 750,000*l.* was surrendered?—The War Office claim, which was, as you have correctly stated, 1,250,000*l.*, was never contested by the Treasury; the War Office had no voice in the general final settlement of this claim, and therefore I think the explanation in regard to what led up to the compromise, so to speak, of 500,000*l.* would properly come from Mr. Chalmers as representing the Treasury, because I really am not in a position to state what did lead to that compromise being arrived at. The War Office was not consulted.

1181. (To Mr. Chalmers.) Could you put in any correspondence which would give the Committee information in regard to the surrender of this three-quarters of a million?—I have a copy of the correspondence with me, and I may men-

Mr. J. A. FLYNN, called in; and Examined.

Mr. Gibson Bowles.

1185. If you will read paragraph 62 you will see that there is "Balance in Cape Paymaster's Account of cash advanced but not accounted for, 588,294*l.*" Then it is suggested that this "money was largely used in the purchase of stores required as a working capital for the railways"; but "there is no documentary evidence" to show how, in fact, it was used and expended. With regard to that, what I wanted to ask is, are you still without documentary evidence?—Yes. The reason we did not ask for any evidence was that that money was simply cash which we advanced, and which, from our point of view, should have been returned to us. We never admitted it as a proper Army charge, except that we did not get the money back. Not admitting the stores to be an Army charge, we did not ask for any particulars.

1186. If you did not admit that it was to be expended as an Army charge for Army purposes, can you explain on what ground you advanced the 588,294*l.*?—While we were running the rail-

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Imperial Military Railways—continued.

Chairman—continued.

tion that a copy of that correspondence has already been sent to the Comptroller and Auditor-General. If it is the wish of the Committee I will hand it in now.

1182. I think we would desire to have that correspondence, as we cannot understand this question without it?—I will hand it in. (*Handing in the same—vide Appendix.*)

Mr. Gibson Bowles.

1183. (To Sir Guy Fleetwood Wilson.) If you will read paragraph 62 you will see it says: "Balance in Cape Paymaster's Account of cash advanced but not accounted for, 588,294*l.*" That, I think, refers to page 32, Vote 6. If you will follow on paragraph 62 you will see the statement is, "this charge is for cash issued and not repaid, and there is no documentary evidence to show how it was expended. It is understood, however, that the money was largely used in the purchase of stores required as a working capital for the railways." Are you still without any documentary evidence to show how it was expended?—We have not got any documentary evidence.

1184. Has there been any attempt to obtain documentary evidence? Why are you without it?—Perhaps the Committee would allow me to have Mr. Flynn with me on this particular paragraph. He was in South Africa, and he dealt with the whole of this matter. I am not wishing to shirk responsibility in any way, but he will be able to give the details more satisfactorily, as he had the actual working of the case out in South Africa. He is, as you are aware, my Assistant Director of Accounts, so that he is in a position to speak to it.

Mr. Gibson Bowles—continued.

way there was a good deal of money that had to be spent for what I may call working capital—buying stores in advance. We knew that this money was spent in that way, as a matter of fact, though we have no documentary evidence.

1187. How do you know that?—I knew it from my inquiries and from looking into the accounts cut there. The system was this: We were charged on account of Railway Expenditure; they said, "We have used so much coal, for example, in running the trains during this period, and we charge you with that"; but this coal had to be bought before it was used; they did not charge that as current expenditure; they took the money and bought the coal; they kept the money in a Suspense Account, it was simply money not accounted for so far as we were concerned.

1188. But under whose control is the Cape Paymaster; was he a Cape official?—No, he was an Army official under the control of the General Officer Commanding out there.

¶ 1189. Then

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.
Imperial Military Railways—continued.

Mr. Gibson Bowles—continued.

1189. Then are we never to expect any documentary evidence of expenditure of this sort?—We expected to get the money back. It was in the claim for the million and a quarter which has been compromised. (Sir Guy Fleetwood Wilson.) It was in the nature of a loan—an imprest. We expected to get the money back.

1190. (To Mr. Flynn.) But would not it have been the Cape Paymaster's duty, when instead of giving it back he spent it on coal or other things, to have given an account of the expenditure?—The Cape Paymaster did not spend it; the railway officials spent it, and they spent it not as part of the Army Account, but on getting these stores in advance. The stores would be charged to the Army as they were used only. The Account which the Paymaster had was confined to an account of what professed to be Army charges—coal, for example, actually used on Army services.

1191. What I want to understand is this: so far as the Cape Paymaster is concerned is his responsibility discharged and is his account clear?—Yes, he was duly authorised to accept these statements of railway expenditure on Army Account certified by the auditor who was specially appointed to go into them. The Cape Paymaster certainly discharged his responsibility.

1192. The Cape Paymaster was authorised by his military superior to accept these statements?—That is so.

1193. Then if you were ever to get any documentary evidence of the expenditure it would not be from him but from the railway authorities?—It would be from the railways.

1194. Is there any difficulty in obtaining it?—I am afraid I did not make myself quite clear. We have never asked for it. From our point of view this was money issued to the Colonial railways which they have never alleged was spent on Army service, but it was not returned to us, and became chargeable simply because we did not get the money back. (Sir Guy Fleetwood Wilson.) It was a loan or an advance; an imprest. (Mr. Flynn.) They treated it as such—it was not so intended. (Sir Guy Fleetwood Wilson.) But for this general settlement, which reduced the money we get to half a million, we should have had it returned to us included in the 1,250,000*l.*

1195. Then this, in fact, is included in the settlement alluded to in paragraph 64?—That is so.

Mr. Blake.

1196. (To Mr. Flynn.) As I understand, originally it was a sum advanced which was to be returned in specie?—It was to be returned if not expended on what were admitted to be Army purposes. (Sir Guy Fleetwood Wilson.) The situation was this: the railways had to be kept going as a going concern. They were kept going on advances made from Army funds, the arrangement being that if they could show that such portion of the money was legitimately and properly expended on Army services they would

ARMY APPROPRIATION ACCOUNTS, 1903-1904.
Imperial Military Railways—continued.

Mr. Blake—continued.

be allowed the money; but that in cases where it was spent for the good of the railway, or not specifically for Army services we should get the money back. Our claim on that basis was for 1,250,000*l.*

1197. The claim being on that basis, 1,250,000*l.*, which was a claim to be discharged only either by payment or by producing evidence that the money was expended for Army purposes, a compromise was settled (by another authority than yours altogether) at 500,000*l.*?—Yes.

1198. So that we are to look to that other authority for any explanation as to what evidence they received in way of discharge of that difference between the half million and the million and a quarter?—I think so.

1199. You practically say you are not responsible, because you did not make the settlement. Your position is that you ought to have received either the evidence of expenditure for Army purposes or the cash; you have received neither except to the extent of half a million out of that amount; that is because another authority has adjusted this settlement?—It has been adjusted for excellent reasons, no doubt, but they are not reasons for which I am responsible, and I am not in a position to explain what led to that adjustment.

Mr. Cohen.

1200. There is one statement of yours I could not quite follow. I understood you to say that the 1,250,000*l.* was intended to be for working capital, and that you expected it back; but working capital is not returned, is it; working capital means money to be expended in working the line?—Yes, but we should only be chargeable for what proportion of that was expenditure for Army services.

1201. There was some portion of it which you recognise was chargeable to the War Office?—Yes.

1202. In respect of that portion for expenditure will you not require to receive some vouchers for that amount, the validity of which you do acknowledge, but for which you require evidence that it has been paid?—Yes, we satisfied ourselves that whatever we passed as a fair charge on Army funds had been properly spent.

1203. There was some proportion of it which you thought was legitimately chargeable?—Yes; and as the outcome of it there was a sum of 1,250,000*l.* which we considered was due to us and should have been returned to us, putting aside all other considerations (which no doubt were weighty ones) which led to our not getting it.

1204. (To Mr. Flynn.) Then going back to the preceding paragraph, sub-paragraph (2) of paragraph 61, which says, "There is some suspicion that the money was misappropriated" (that is the 1,000*l.*), "and the question is now under the consideration of the legal advisers in South Africa"; I do not quite understand what period the word "now" refers to. Has there been an explanation

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Imperial Military Railways—continued.

Mr. Cohen—continued.

explanation received since?—No, it is still under consideration in South Africa; they cannot get hold of the man.

1205. The man or the money?—They cannot get either.

1206. They are pursuing it?—They are.

Mr. Herbert Lewis.

1207. (To Sir Guy Fleetwood Wilson.) There was a change of title, I think, of this railway, was there not?—Yes, it was called originally the Imperial Military Railways, and it has now become the Central South African Railways.

1208. At the time the transfer took place was there in hand a very large quantity of stationery headed with the name of the Imperial Military Railways?—I should think that is very likely—I cannot say.

1209. Have you heard any allegation to the effect that there was 100,000*l.* worth of stationery headed "Imperial Military Railways," and that when the change of name took place, all that stationery was cast away and new headings for the note paper, and so on, were introduced?—I have never heard anything about that; we had nothing to do with the administration of the railway; the other people took it over; it became a Colonial railway. We should not know anything about that. I have heard nothing of the sort.

1210. You do not know to what extent stationery figured as a charge when it was handed over?—No. I knew nothing about what was done in that case. But I may say I know when I was in South Africa we used what I may call local stationery which had a Dutch heading, and transferred on to it our heading; and it is possible that that paper may not have stood another change. I do not know as to that. It would not come under my purview at all.

Sir Robert Mowbray.

1211. You spoke of the arrangement by which this money was advanced; was that arrangement embodied in any documents or anything which we could have before us?—We were using the line, and subject to the observations which the Chairman has made as to the propriety of treating it as military transport, we considered it was a means of transport just as any other means of transport, and we used the railways; and therefore we naturally did advance sums to work them. I do not think there was any special documentary arrangement. (Mr. Flynn.) The General Officer Commanding regulated it from time to time; he did limit the advances when it appeared they were having more than was necessary. I saw instances of that when I was in South Africa.

1212. Otherwise the General Officer Commanding had power to advance the money he thought to be necessary to keep the lines running for his military purposes?—Yes; he regarded it (wrongly, as it is now pointed out) as the ordinary use of money on Army transport.

1213. You also spoke of the Paymaster paying on the certificate of some auditor; I did not

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Imperial Military Railways—continued.

Sir Robert Mowbray—continued.

exactly understand who the auditor was?—He was an official appointed by the War Office with Treasury sanction. (Sir Guy Fleetwood Wilson.) In South Africa very soon after the war began, when we took over this railway work, the War Office appointed an auditor on purpose to check what would be legitimate military expenditure as compared with what would not be legitimate military expenditure. That is the auditor that Mr. Flynn alluded to.

1214. That auditor was a War Office official, was he?—He was a War Office official appointed to watch the expenditure, from the standpoint of what could be considered to be *bonâ-fide* military expenditure.

1215. It is on his certificate that you have allowed a certain amount as being legitimate military expenditure?—Yes.

1216. I do not understand, then, that the Cape Paymaster advanced the other sums of money on any certificate at all?—He advanced the money as the General Officer Commanding authorised the issue to be made to keep the thing going. The Railway Administration (which was Military Railway Administration) no doubt said they required a sum as an imprest, and they got it.

1217. But that was a sum of money, I think, which the Railway Authorities said would be required, and the General Officer Commanding authorised to be advanced without any certificate from the Auditor?—Then our Auditor would ascertain by means of an examination of the Accounts how much of that was *bonâ-fide* military expenditure and how much was money that would have eventually to be recovered; and that would eventually come into that claim.

1218. Which has eventually not been recovered?—Yes.

Chairman.

1219. With regard to the large sums Mr. Gibson Bowles called attention to, I see Sir Edward Ward calls them "imprest advances to an Army Sub-Accountant"?—Yes, that is the technical term.

1220. Then he goes on to say, "The Colonies concerned admitted the claim against them on this Account, but have retained the money, or rather the stock, reserves, etc., on which it had been spent on the ground of" a counter-claim which they considered they had, is that so?—That is so.

Mr. Victor Cavendish.

1221. (To Mr. Chalmers.) Could you tell the Committee to what purpose the 500,000*l.* which has been received as the result of this compromise has been devoted?—That sum, like the other sums received under the arrangement, has been devoted to paying off debt.

Chairman.

1222. Less, apparently, the sum of 145,000*l.* which is required for the War Office to clear the Suspense Account?—That is so. At the last moment the Treasury became aware that the War Office had had certain advances from the Colonial

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Colonial Government; the Treasury had not been aware that in order to clear up these advances and its Suspense Account the War Office required 145,000*l.* Subject to that 145,000*l.*, the whole of the money received from the Transvaal and Orange River Colony, not only the 500,000*l.* but the remainder—about a million more—will go in reduction of debt.

Sir Brampton Gurdon.

1223. Of floating debt?—I would rather say of debt; perhaps the Honourable Member will let me leave it in that position for the moment.

1224. Does it at present strengthen the balances?—No, it is in the hands of the National Debt Commissioners.

RHODESIAN RAILWAYS.

Chairman.

1225. (To Mr. *Chalmers.*) In regard to paragraph 65 I observe that a settlement has now been made by giving 60,000*l.* more to the Rhodesian Railway Company; so that the total sum paid for the use of this railway during the siege of Mafeking was 135,000*l.*?—That is so.

1226. Could you tell us why our offer was increased from 24,800*l.* to 60,000*l.*?—I could not tell you that in detail, because the arrangement was made by the War Office; but the basis of the thing was this: the Treasury and the War Office took a somewhat strict line as to the basis on which compensation should be given to the railway company. There was great difficulty in arriving at any terms with the company, and the Law Officers advised us that we could not stick to our basis, and that we should make the best terms we could. The actual terms made were arranged by the War Office on the basis of the Law Officers' opinion.

1227. But sanctioned by you?—Yes. It resulted practically in about half our offer and half the claim of the company added together. (Sir *Guy Fleetwood Wilson.*) The split was rather in favour of the War Office than otherwise. (Mr. *Chalmers.*) That was so.

Mr. Herbert Lewis.

1228. (To Sir *Guy Fleetwood Wilson.*) What was the original amount of the claim?—The company's full claim was for net working expenses for the period from October, 1899, to June, 1900; that came to 110,771*l.*; the debenture interest for the same period came to 66,000*l.* and odd, and also there was a claim for materials and services subsequent to June 12th, 1900, of 22,917*l.*, making a total of 199,715*l.* The first item was reduced by Lord Kitchener to 75,000*l.* odd; and Item 3, "for materials and services" subsequent to June, 1900; was reduced by a compromise at home by one-half—11,458*l.* The outcome of the whole thing was that the company's original claim was reduced by 64,000*l.*, while the figure of the War Office was only in-

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Rhodesian Railways—*continued.**Mr. Herbert Lewis—continued.*

creased by 24,000*l.*; so that, on the whole, the split was in favour of the War Office. The arrangement was made by the Financial Secretary of the War Office and the company at an interview after very protracted negotiations had been carried on which did not appear to be likely to result in any settlement at all.

Mr. Buchanan.

1229. Last year you told us it was going to arbitration; that was given up apparently?—The arbitration, if I rightly recollect, was the way we considered it would have to be decided if we could not come to an arrangement; but the Financial Member took it up and went into it with the greatest possible care, and worked very hard at it, and succeeded in coming to the arrangement which I have indicated, and which resulted, as I say, in our getting rather more out of the split than the company did.

1230. The idea of submitting it to arbitration, which you spoke of last year, was abandoned?—It did not come to that point. The necessity for arbitration was not thought to arise.

PURCHASES AND EXPENDITURE BY BRITISH SOUTH AFRICA COMPANY FOR RHODESIAN FIELD FORCE.

Chairman.

1231. (To Sir *Guy Fleetwood Wilson.*) With regard to paragraph 66, is this a final closing of the Rhodesian Field Force account; have they paid in this 46,565*l.* as unexpended balance?—That is the statement in paragraph 66; the facts are as stated in that paragraph.

Mr. Herbert Lewis.

1232. I presume you are satisfied that the British South Africa Company has actually expended the whole amount that has been charged?—Yes, I think we have satisfactory evidence of that.

CREDITS.

Chairman.

1233. (To Mr. *Kempe.*) In regard to paragraph 67 of your Report, do you mean that the two small amounts mentioned there were the only two amounts which were unvouched for; surely there must have been others unvouched for?—They were the only two credits we noticed. You will observe these are credits, not expenditure. (Sir *Guy Fleetwood Wilson.*) There were not many credits.

1234. (To Mr. *Kempe.*) There were no vouchers to be obtained for these credits?—No, we have none. (Sir *Guy Fleetwood Wilson.*) These were credits for cash given by the local agents of the company for stores and forage. They were sold at the camp at Beira and we could get no evidence except the statement of the officers who sold the stores. The depots were broken up.

1235. In

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ACCOUNTING FOR STORES UNSATISFACTORY.

Chairman—continued.

1235. In regard to paragraph 68, as I understand, sub-paragraph A relates to 39,869*l.* which has already been written off with Treasury sanction in the previous year's accounts?—Yes, we have received Treasury sanction. Even in regard to the mules the Treasury have accepted the situation.

1236. I will come to the mules presently. But with regard to the 36,000*l.* referred to in sub-paragraph B, there is some sort of trace of them in unvouched ledgers. (To Mr. Kempe.) Are you satisfied that is the best that can be got?—Yes, we could get nothing better. We thought the ledger was satisfactory evidence so far as it went.

1237. (To Sir Guy Fleetwood Wilson.) Now as to sub-paragraph C, with regard to the mules, there was considerable inquiry made about these 841 mules that were landed. Do I gather you have some further information with regard to them?—I was only going to say that the question has now been referred to the Treasury, and they agree that it is not possible to carry the matter further—that the accounts such as we have got are all that can be furnished.

1238. According to the evidence that we had last year, they appear to have vanished into thin air, and no one can trace them at all?—In the course of the landing twenty-two were lost. Of course, we know they got to South Africa.

Sir Frederick Bunbury.

1239. But after that all trace was lost?—(Sir Guy Fleetwood Wilson.) Not altogether. We have got evidence that 728 were placed on the rails for Marandellas, and 690 of them are said to have been duly received there by the Rhodesian Field Force. After that I really am afraid I would hardly like to give any particular information.

Chairman.

1240. Is not that evidence sufficient to make a claim for the 690 mules as against the British South Africa Company?—It appears to me that the Company are clear, because these mules did start on their journey to join the Rhodesian Field Force, and there is no reason to suppose they did not reach them and were not used, but there is no documentary evidence; they were not taken over on charge properly.

1241. You had no control over this Field Force, with regard to their accounting for anything they received?—As you may remember, there was a complete breakdown on the railway; we had no officer in charge of those stores. It was a question of the officer higher up taking them over, and he died soon afterwards. He would have been the only man who could have given detailed information upon the point.

1242. In any inquiry the House may require with regard to these mules, it can only be said that they have been traced as far as Marandellas and beyond that no trace remains, and we have no means of tracing them?—I do not think you can trace them beyond that. Lieutenant-

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Accounting for Stores Unsatisfactory—cont.

Chairman—continued.

Colonel Beale, an officer of the British South Africa Company, who was lent to the Imperial Government as Director of Transport in the Rhodesian Field Force, is said to have kept an account of how the animals were disposed of, and some records were stated to have been kept, but I do not think we have seen them. I am reminded that Lieutenant-Colonel Beale distinctly states that these 690 mules did get to the Rhodesian Field Force.

1243. But he does not give any account of them afterwards?—Once they joined the Field Force, we should be satisfied, because they would either have been killed or used, or would turn up elsewhere. The only difficulty that arises is to make sure that they did get into the possession of the Field Force where the Field Force was.

1244. Of that he gives satisfactory evidence?—Lieutenant-Colonel Beale distinctly states that they did reach the Force.

Sir Brampton Gordon.

1245. But a field force, or any force, has to account to a certain extent for its animals. If a force which had 500 animals turns up, say, with only 200, it has to produce evidence that the remainder were killed in battle or died of disease?—They might not earmark them with care in war time.

1246. But they would have to prove that they either died of disease or were killed in battle?—Properly speaking, no doubt there is a return kept of losses.

1247. Of course it would only be a rough one?—The real question was whether these mules had duly reached their destination, and been handed over to the Imperial Force, and in regard to that we have the evidence of Lieut.-Colonel Beale that they did actually reach that Force.

Sir Robert Mowbray.

1248. When did Colonel Beale make that statement; is it fresh evidence since last year?—It has come to my knowledge since last year.

Mr. Blake.

1249. The Comptroller and Auditor-General's Report in Sub-paragraph (c) says with regard to the mules, "I have requested that information may be furnished of the manner in which they have been accounted for"; has that information been furnished?—We have been on this matter ever since last year endeavouring to get more and more information.

Mr. Gibson Bowles.

1250. (To Mr. Kempe.) Has Colonel Beale's Report been sent to you?—I have received information in regard to the Report.

1251. What view do you take of Colonel Beale's Report; do you think that the fact that these mules were delivered to the Field Force may be accepted?—The gist of the matter seemed to

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Accounting for Stores Unsatisfactory—cont.

Mr. Gibson Bowles—continued.

to me to be that it was stated that the 690 mules had been received and had gone on service—I regarded that as completing the matter.

Mr. Blake.

1252. (To Sir Guy Fleetwood Wilson.) After that I presume it would be impossible to segregate these 690 from the general stock of animals as any account which the force might give of its losses afterwards would be of a very general thing?—It would be very difficult to earmark these particular mules. The point which we were all anxious to get to was satisfactory or sufficient evidence that these mules had been actually placed in the hands of the force for which they were destined, and evidence now, I think, seems to have come to light based upon the report of this officer, that 690 of them did reach the force.

Mr. Gibson Bowles.

1253. But we cannot trace it any further?—I do not think we can.

1254. Still, we are not asked to accept the principle that as soon as mules or anything else reaches a field force, all accounting stops?—That is the last thing I should ask you to accept.

1255. That is what it came to here?—It must be remembered that the whole of that force was scattered very soon after it started on its operations. The whole of that expeditionary force was on a different footing from any other.

Mr. Cohen.

1256. (To Mr. Chalmers.) On this paragraph may I ask you a question regarding the absence of accounts in the case of the British South Africa Company's purchases. The Comptroller and Auditor-General reports that he has inquired whether the absence of those accounts had been reported to the Treasury?—It was on the 13th of April.

1257. What view did the Treasury take upon that subject?—The Treasury understood that the application of the War Office had reference to the absence of adequate Store Accounts, and we recognised that it was impossible to obtain from the Company now any further account which would enable the expenditure of these stores to be traced. The Treasury in noting that the Army Council had no reason to believe that the stores were not duly expended on the public service, drew attention to the fact that there was an improved system of accounting now under which it is hoped in future to establish an adequate check in detail through the store accounts of the stores purchased.

1258. We do not know, and I do not know whether the Treasury know, what the amount in question was?—About half a million.

1259. Such a large sum being in question did the Treasury accept the situation as being impossible of improvement?—I have not made

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Accounting for Stores Unsatisfactory—cont.

Mr. Cohen—continued.

myself clear to the honourable Member I am afraid. There is no question at all, as the Treasury understand, about the fact that certain stores were wanted; there is no question that those stores were purchased and that those stores were vouched.

1260. The Treasury were satisfied about their having been vouched?—There is no question about that, I understand; I do not think any question arises so far. The only question is, whether, having bought, properly enough, stores that were wanted, you can trace those stores so bought into Store Account. Well, in this case, you cannot. It is very much like the case of the mules. You know that the stores, like the mules, went on service, but what actually happened to them on service is a matter concerning which there are no records, and concerning which no records can now be forthcoming.

1261. But they do not resemble the mules in regard to the question of loss?—I am not aware that there was any loss at all. The War Office assures us that they had no reason to doubt that the stores purchased were actually consumed without any loss, and there is no question about loss; it is rather a question of record. (Sir Guy Fleetwood Wilson.) Perhaps I might be allowed to inform the Committee, that, as Mr. Chalmers has said, this is really a question of bringing these stores into Store Account. From the accounting point of view, of course, it is a matter of considerable gravity if stores are not brought properly into Store Account, and I should like to assure the Committee that ever since last year the Finance Branch of the War Office has been almost unfairly driven by me in regard to this matter. Everybody has put their back into this to try and get it into a more satisfactory condition for the information of this Committee, and for our own satisfaction. I should like the Committee to understand that no effort has been left unmade that could have been made to get the accounts satisfactorily through. I should be sorry if the Committee thought we had let it alone at all.

1262. I think the Committee would quite accept that; but while you have been unsparing in your efforts, I should like to know have you any reason to believe that those efforts have resulted in any concrete result?—I think we have got matters much more satisfactorily together than we had before. In some cases we have fair vouching; in other cases we have rather better, and in others not so good. Instead of not knowing how we stood we know the facts, and in a considerable proportion of the cases we have been able to trace the stores to Store Account.

Mr. Blake.

1263. What is the answer to the inquiry which the Comptroller and Auditor-General, states in paragraph 68 that he has made: "I have inquired whether the total amount of the British South Africa Company's purchases not subjected

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Accounting of Stores Unsatisfactory—*cont.*

Mr. Blake—continued.

to a check in detail with the store accounts has been reported to the Treasury?—It has been reported to the Treasury; I am sorry it was not done sooner.

1264. What is the total that has been so reported?—About half a million, I think.

Mr. Buchanan.

1265. (To Mr. Kempe.) Have you received that report?—I received it this morning. I see there are two sums—one for provisions and forage coming to 242,885*l.*, and the second for clothing, ordnance, and other stores coming to 241,363*l.*

Mr. Gibson Bowles.

1266. (To Sir Guy Fleetwood Wilson.) Have you finally settled up your accounts with the British South Africa Company?—I think so. I could not say definitely whether we have any point outstanding.

1267. But these unchecked stores surely represent a point outstanding?—No, I think there is no question as to the stores being properly given to us; the difficulty is to trace them into the store ledgers where they were taken in charge by our people. In the field they did not account with the care they should have done; they took over large lots of stuff and the accounting was wrong.

1268. But as between you and the British South Africa Company, you are satisfied as to this point?—Yes.

Sir Robert Mowbray.

1269. How many Imperial officers or officers representing the War Office had you with this force?—I think we had only one at Murrumbidgee or higher up (I really forget which), and he died.

1270. So that the whole of these stores, if they had been properly kept and taken on account, would have had to be taken on account by this one man?—Yes.

1271. The main force was an irregular force not composed of regular troops or assisted by persons representing the War Office?—Quite so.

Mr. Blake.

1272. (To Mr. Kempe.) I understand you to say that you only received this morning the answer to your inquiry referred to at the end of paragraph 68?—I received the answer from the Treasury only this morning. I received the War Office letter to the Treasury considerably earlier, but I only received to-day the Treasury answer giving authority to the War Office.

1273. My object in putting the question was to ask whether you have had adequate opportunity of examining the papers, and are able to say that you think your question is answered?—I have not seen any papers, but I think the value of the Treasury authority in this case is exactly what it is in the cases in (a), (b), and (c), where it is admitted. We could not go behind that.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Accounting of Stores Unsatisfactory—*cont.*

Mr. Blake—continued.

We thought it important that the Treasury should have before them this case involving these very large sums as they had the other cases before them. (Sir Guy Fleetwood Wilson.) I may say our letter was the 13th of April.

1274. But the case of the Comptroller and Auditor-General, of course, was not complete till he had received the Treasury answer. It is desirable that the Comptroller and Auditor-General should have a little time before he makes a final statement to the Committee to consider the statements made in answer to his inquiries?—I am not responsible, of course, for the Treasury letter—I was only speaking of the War Office letter.

COLONIAL CONTINGENTS.

Chairman.

1275. (To Mr. Kempe.) With regard to paragraph 69 I gather you are satisfied that the sum paid to New Zealand of 15,759*l.* is less than they could have claimed under the 3 per cent. commission which is usual?—That is so.

Mr. Gibson Bowles.

1276. What is meant by "the usual 3 per cent. commission"?—(Sir Guy Fleetwood Wilson.) Three per cent commission is allowed for clerical assistance to the Colonial Governments for raising these Colonial contingents—for what you may call office expenses.

Mr. Buchanan.

1277. Was this an arrangement made with the Colonial Governments at the time of the war?—(Mr. Chalmers.) It is part of a general arrangement which applies to all transactions on behalf of the Imperial Government by the Colonial Governments; for instance, they pay a lot of our pensions for us in the Colonies, and in regard to that there has been for a long time this 3 per cent. charge, and that was applied to the present case during the war.

Chairman.

1278. (To Sir Guy Fleetwood Wilson.) With regard to the latter part of the paragraph, was it not rather a long time to allow two years to elapse during which the full pay of invalids was allowed?—It was, but the War Office could not ascertain what was going on until the accounts from the Colonies were received and examined.

1279. Were the invalids men who belonged to the Colonial contingents?—They were men of the oversea contingents returning to their colonies; they were discharged and placed on full regimental pay until their case had been finally disposed of. We did not know this had been going on so long, but we wrote in June, 1904, ordering the immediate discharge of invalids on full pay. We stopped it as soon as we realised what was going on.

1280. Have the discharge documents now been submitted to Chelsea Hospital?—Yes, they are being

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Colonial Contingents—*continued.**Chairman*—*continued.*

being or have been already sent to Chelsea Hospital.

Mr. Herbert Lewis.

1281. In the first part of paragraph 69, in the case of the New Zealand Government, reference is made to the absence of receipts for the charges; were receipts asked for?—No, they were not, because the New Zealand Government did not charge their 3 per cent. for clerical assistance.

1282. My question was with regard to the absence of receipts; were those receipts asked for?—The certificate of the Colonial officials was accepted as sufficient.

1283. Then later on in the same paragraph it is stated that "the amount paid to the New Zealand Government for clerical assistance is considerably less than the amount which could have been claimed on the basis of" the three per cent. commission. Do you know what the difference was between the 15,759*l.* and the amount which could have been claimed on the basis of commission?—In the case of New Zealand, sums amounting to 1,048,000*l.* have been paid in respect of claims connected with the war, the commission on which would have been 31,440*l.* Up to the present time we have paid only 17,300*l.*, including the 15,759*l.* mentioned in the Report.

1284. You have paid roughly 17,000*l.*, whereas if the ordinary arrangement had been made it would have been, how much?—It would have been 31,000*l.*

Mr. Gibson Bowles.

1285. May we take it there will not be another claim?—I will not say that. We may get a few more claims still. You will observe they are to the good; they have not got their full amount.

Mr. Blake.

1286. (To Mr. Chalmers.) Has the Treasury considered at all whether the circumstances of a large expenditure of this kind during war are so analagous to the ordinary circumstances under which the three per cent. commission has been long payable as to render it a fitting thing that you should apply the principle of the three per cent. commission. You find, for instance, a case here in which the New Zealand Government itself charges less than would be represented by the three per cent. commission?—The matter was considered some years ago, and at the time it was considered it was held that the existing arrangement should go on. That was the arrangement made by Ministers before it was known quite what the scope of the transactions would be. They said, Here is the existing basis and that will be the basis for this work, the scope of which, as I say, could not at the time quite be foreseen.

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Colonial Contingents—*continued.**Sir Frederick Banbury.*

1287. (To Sir Guy Fleetwood Wilson.) At the end of the last sub-paragraph of this paragraph it is stated that "the Army Council suggested that no cases should be submitted for pension except those of wounds, injuries, or disease which could be conclusively proved to have been caused by or originated through army service" in South Africa. Has that suggestion been carried out that no pensions should be given except in those cases. I should rather gather from that passage that there seems to have been some doubt as to whether there had not been, or might not have been, some bogus claims?—I do not think that was so. I think it was only laying down the principle. I do not recollect its being based upon any element of suspicion.

1288. Has that suggestion been acted on?—Yes it has.

DEMURRAGE CHARGES.

Chairman.

1289. (To Mr. Kempe.) As I judge from paragraph 70, these demurrage claims appear to be claims that were delayed for various reasons; they do not include all the demurrage claims?—No. We shall keep them in view another year.

IMPERIAL YEOMANRY COMMITTEE.

Chairman.

1290. (To Sir Guy Fleetwood Wilson.) In regard to paragraph 71, has any arrangement been made about this claim against Messrs. Van Laun and Company?—I am sorry to say nothing is settled yet. November the 15th and the 16th, 1904, were fixed as the dates for the arbitration, but a further postponement was rendered necessary owing to the employment of Mr. Pickford, K.C., the Arbitrator, in connection with the inquiries at Hull and Paris into the action of the Russian Fleet in the North Sea. Then April the 13th of this year was next arranged as the date, but another postponement until the 29th of May has taken place in order that some of the firm's witnesses, who are at present in Japan, may be available. We hope that on the 29th May this long postponed arbitration may be held.

BALANCES IN HAND OF IMPERIAL YEOMANRY COMMITTEE AND COMPANIES.

Chairman.

1291. (To Mr. Chalmers.) Have the Treasury been asked to sanction the application of this Imperial Yeomanry money to the Studdert case?—Yes, that is so.

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1292. (To

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

SOUTH AFRICAN GARRISONS INSTITUTES.

Chairman.

1292. (To Sir *Guy Fleetwood Wilson*.) I judge from the second letter on page 250 that the Treasury have decided that these Institutes are not to be paid for whether in time of peace or war by rent from the War Office?—Yes, a personal discussion, so to speak, is going on with the Treasury on the matter. I think we were a little bit at cross purposes. I do not know whether Mr. Chalmers anticipates, as I do, that we shall arrive at a satisfactory agreement. (Mr. *Chalmers*.) I am sure if you take our view we shall be in entire accord. (Sir *Guy Fleetwood Wilson*.) I shall be quite prepared to take your view for the future if you will take my view for the past.

1293. You will not be allowed to spend money upon the erection of Institutes either, as I gather from the next paragraph; is not that so?—We are going into the whole question, and if we cannot make out our case we shall have to accept the Treasury view no doubt.

Mr. Buchanan.

1294. With regard to paragraph 74, when did this payment out of the Military Works Loan Fund take place for the erection of garrison institute buildings; was that previous to all this discussion between the War Office and the Treasury?—It is covered by the same period; I do not think it was subsequent to it. There appears to be a question as to whether this is the same class of buildings, and I should like to look into that before I give an answer to the question which you have put. (*After a pause*.) The expenditure was on two classes of buildings; one was the wholesale buildings, if I may so call them, where the stock was kept, and in that case the Treasury held that we had no business to give that building free, merely for the purpose of holding these large stocks for garrison institutes and so forth; but where the building is actually for the benefit of the soldiers, we could properly find the building. I understand the buildings referred to in paragraph 74 would come under the second category and not under the first.

1295. What my question was pointing to was this: Apparently the War Office authorities considered themselves justified in spending money out of Army Votes for field force canteens, and afterwards for these garrison institutes, and in paragraph 74 we find that they also spent money out of the Military Works Loan. Are these incidents which are alluded to in these two paragraphs part of the same transaction?—I understand that the class of building alluded to in paragraph 74 is the class of expenditure, if I may so call it, which the Treasury do not question our right to embark upon.

1296. (To Mr. *Chalmers*.) Is that so?—That is so. The Treasury is now prepared to take that view.

1297. The Treasury allows them to spend money out of the Military Works Loans for this purpose?—Or out of the Votes for the specific

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

South African Garrisons Institute—*continued*.*Mr. Buchanan*—continued.

purpose of providing rooms in which the soldiers can get the refreshments that are allowed. (Sir *Guy Fleetwood Wilson*.) The actual buildings have been divided into two categories, one for the benefit of a trading company, and the other for the individual personal comfort of the soldiers; and where the individual personal comfort of the soldiers is concerned, the Treasury do not question our right to find it, and this expenditure referred to in paragraph 74 would come under the second category.

1298. (To Mr. *Kempe*.) What was your object in calling special attention to this expenditure under paragraph 74?—The charges I drew attention to in paragraph 74 appeared to me to be in the same category as those referred to in paragraph 73; we had not yet had an explanation in answer to the question we put upon that subject, so we could not say whether there was any difference; but I quite understand the distinction which has just been explained, and it is one that we should accept.

Mr. Gibson Bowles.

1299. What is the amount of the payments you allude to in paragraph 74?—They are various small payments. They are all for buildings.

1300. Generally what would be the amount?—In the particular case I have here something under 400/. Looking down the items I see they are for buildings and varnishing and so on.

1301. Do I rightly infer from paragraph 74 that you had some doubt whether there was authority to apply money out of the Military Works Loan to this purpose?—I raised the question in paragraph 74 because the loan expenditure appeared to be subject to the same criticism as in the previous paragraph.

1302. But you did not doubt that the Military Works Loan money might be applied to this purpose?—The subject in the two paragraphs is practically the same; in the one case the expenditure is for the erection of buildings, and in the other case it is for rent.

Mr. Blake.

1303. I understand you to say that this is made up of a variety of small payments—I think you said some were for varnishing and painting and so on. I hope we have not got down to borrowing money for varnishing?—I mentioned that as one of the items in the bills that I had before me, but it is only as part of the whole building. I was running my eye down the list of payments.

1304. Of course, if it is only as part of the structure that is another thing?—(Sir *Guy Fleetwood Wilson*.) We should not charge ordinary small repairs to the loan, which, I take it, is the point of the Honourable Member's question.

1305. (To

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

VOTE 1, SUB-HEAD F.

IMPERIAL YEOMANRY (SOUTH AFRICA).

Chairman.

1305. (To Mr. *Kempe*.) Paragraph 75 appears really to relate to the wrong entries of men charged for in Pay Lists in South Africa, but the men were not actually paid, and therefore no money was lost?—Quite so. Their names were included in the pay lists that were charged to the Votes, but it was afterwards discovered that they had not been paid, and they were struck out.

1306. The whole of this 100,000*l.* has been re-credited to the public?—Yes, that is so.

FINAL CLEARANCE OF COMPANY ACCOUNTS.

Chairman.

1307. (To Sir *Guy Fleetwood Wilson*.) The deficiency referred to in paragraph 76, which is said to represent only about $\frac{3}{4}$ per cent. on a total expenditure of 3,679,000*l.*, is due to three causes set out in the paragraph, but of these three causes two, I take it, will hardly occur again. To take the first cause, the War Office will never again, I presume, give the same number to two companies of Yeomanry as appears to have been done here. I understand great confusion arose from numbers being given to reconstructed companies which belonged to the original companies?—I believe that was so.

1308. That is a sort of confusion which can hardly occur again; the War Office would never allow that to occur again?—I trust it will not occur again. I do not think I can answer for what will be the treatment of such forces as those in the future, because they were abnormal forces.

1309. Then with regard to the second cause which contributed to the deficiency, those new Financial Officers who are being trained in different divisions in this country will go out with the troops on another occasion, and they will have this adequate training in the duty of keeping company accounts?—Yes, it would be affected by that, but in this case company officers and non-commissioned officers were employed. That part of it could not occur again, because it will be our duty to see that adequate steps are taken to furnish whatever corps are started with properly trained accounting officers, and that should certainly do something to keep a check on the expenditure.

1310. Then with regard to the third cause, I understand there is a different arrangement made now with regard to the marking of the allotments of pay which is made in the pay book of the men. It shows what he is allotted before he goes out, and he will not be paid his whole pay, but he will be paid his pay deducting the allotments, as I understand?—Yes, the difficulty arose in getting at the front sheets showing the detail of what had been held over under allotment; but in future the soldier will have a little book showing exactly what is due to him.

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 1, Sub-head F—*continued*.Final Clearance of Company Accounts—*cont.**Chairman—continued.*

1311. And in that little book will be deducted the allotments?—Yes, he will start fair, so to speak, in the book.

Mr. Gibson Bowles.

1312. (To Mr. *Kempe*.) I do not quite follow the second sub-paragraph of paragraph 76 in regard to the figures. You say there: "From the statement sent to the Treasury it appears that the gross deficit was 55,693*l.* 9*s.* 1*d.*" (that is the deficit on the accounts of the Imperial Yeomanry); "but," you say, "this sum was reduced to the amount shown above," namely, 28,971*l.* 19*s.* 9*d.*, "by appropriating certain credit balances, amounting to 26,721*l.* 9*s.* 4*d.*, which arose on the ledger accounts of individual men." Can you explain what credit balances those were?—I think the explanation follows in the next sentence.

1313. Then I will go on with the paragraph, but I do not understand the explanation. You say these credit balances "probably accrued, for the most part, owing to the omission by company officers to record cash payments actually made." That to me suggests that the company officers having made cash payments to the extent of 26,721*l.*, and not having recorded them, those cash payments became a credit balance; is that so?—There was so much less charged to the account through its not having been recorded. It appears to be the result of a very complicated mistake in the Yeomanry accounts, which I am afraid it would be rather difficult to explain. It is given in a War Office paper which I have here. The paper states that: "The amount is distributed amongst the various contingents as follows," and then it sets out the contingents making up the 28,971*l.*, as is shown in paragraph 76, and then it says: "In arriving at these figures the Chief Paymaster has appropriated certain credit balances, amounting to 26,721*l.* 9*s.* 4*d.*, which arise on the ledger accounts of individual men, but which have not been and are not likely to be claimed." I think that is practically the explanation.

1314. May I ask you one further question, or perhaps Sir *Guy Fleetwood Wilson* will be able to answer the question? As the transaction presents itself to my intelligence here it is this: The company officers had actually made payments amounting to 26,721*l.*—they had actually made those payments, but they had not recorded them?—(Sir *Guy Fleetwood Wilson*.) That is what I understand to be the case.

1315. When they do record them, how does that make it a credit balance applicable to the reduction of some other claim?—(Mr. *Flynn*.) It is the not recording them which leaves the credit balance. I have not actually seen the transaction myself, but what I understand to be the case is this: there were in the accounts certain sums of money shown as credit balances—that is money due to the soldiers, not Army money, but money which we only held, according to our accounts on trust. We believe that those credit balances were there through the omission to

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 1, Sub-head F—*continued.*Final Clearance of Company Accounts—*cont.*Mr. *Gibson Bowles*—*continued.*

to enter up payments which had actually been made to the men. Having no claims against this, we have set off this money, which, according to our account, we only hold on trust as credit balances of the soldiers against the deficit.

1316. That does not at all agree with my understanding of this paragraph. These payments were not due to the soldiers; they were "actually made"?—Yes, and if the payments had been properly recorded they would have extinguished the credit balance to the man. It is supposed they were not so credited, and so the credit balance remains, but it is not really due to the man.

Chairman.

1317. They were falsely described as credit balances in the ledgers because they had been really paid?—Yes, I understand it was in this way: there was, say, 5*l.* due to a man. It is believed he had the 5*l.*, but it was not entered up. If it has been entered up against him the balance would have disappeared and the figure would have been a nought.

Sir *Brampton Gurdon.*

1318. Do I understand that the Yeomanry really owed you 55,000*l.*, they have since wiped off this payment of 26,000*l.*, which they forgot to put down, and therefore they only owe you 28,000*l.*, which you write off as a loss irrecoverable; is that so?—I would not put it exactly in those words, but I understand it very much in that way, that the Yeomanry owed us 55,000*l.*, but according to our account we owed them 26,000*l.*—the 26,000*l.* we owed were credit balances.

Mr. *Blake.*

1319. This is the explanation which is given in the statement to which the Comptroller and Auditor-General referred, and which seems to make it plain: "In arriving at these figures, the Chief Paymaster has appropriated certain credit balances, amounting to 26,721*l.* 9*s.* 4*d.*, which arise on the ledger accounts of individual men, but which have not been, and are not likely to be claimed. As great publicity was given to the opening of the Imperial Yeomanry Pay Office, he thinks that it is practically certain that the great majority of men who have not applied know that nothing more is due to them. These credit balances are probably owing for the most part to the omission of Company Officers to record cash payments actually made"?—That quite agrees with what I intended to convey.

Mr. *Gibson Bowles.*

1320. That is quite different, I think, from the statement in the paragraph of the Report. Do I then rightly understand that this 26,721*l.* represents, not as is stated in the paragraph here, sums that have been actually paid, but sums which have not been claimed, and which will not be

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 1, Sub-head F—*continued.*Final Clearance of Company Accounts—*cont.*Mr. *Gibson Bowles*—*continued.*

claimed?—It is stated to be due to the omission to record cash payments that were made. If they had been recorded they would have been wiped of the credit balances.

Mr. *Blake.*

1321. The only question in doubt is whether your basis of fact is correct, whether what you presume to have happened, did happen, namely, that this money was paid, though not put down at the time?—It really comes to taking the net result of the transaction. The 55,000*l.* on the one side which they owed us, and could not account for, and the amount on the other side which we owed them, and could not account for.

VOTE 6.

SUB-HEAD B.—LAND AND INLAND WATER TRANSPORT ABROAD.

Chairman.

1322. (To Sir *Guy Fleetwood Wilson.*) With regard to paragraph 77, I presume you recognise the validity of the criticism that for the future all this expenditure should be properly vouched?—Yes, the General Officer Commanding was instructed in February last that moneys spent in this manner should be properly accounted for in the usual way and supported by vouchers.

Sir *Frederick Banbury.*

1323. Has that been acted upon?—It will be acted upon; it was sent out as an order.

TRANSPORT CHARGES ON MILITARY WORKS LOAN SERVICES CHARGED TO VOTE.

Chairman.

1324. (To Mr. *Chalmers.*) In regard to paragraph 78, the Treasury, as I understand, draw a distinction between the use of transport animals in South Africa for certain transport purposes, the charges for which should remain on Army Votes, and the case of this sum of 150,000*l.*, which represents direct charges for carriage of stores and materials, attributable to the Military Works Acts Services, which should be charged to the Military Loan?—Certainly.

REMOUNT ACCOUNT.

Chairman.

1325. (To Sir *Guy Fleetwood Wilson.*) With regard to paragraph 79, are steps being taken to settle these charges against officers for their chargers?—We have recovered 3,500*l.*, we have cancelled 1,300*l.*, and we consider about 1,000*l.* as irrecoverable, and we have called for further information from South Africa upon the subject.

1326. But I suppose you know every officer who has had a charger?—Yes, but it does not always follow that you can get the money.

1327 Was:

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Sir G. D. A. F. WILSON, C.B., and Mr. FLYNN.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1993-1904.

Vote 6, Sub-head B—*continued.*Remount Account—*continued.*Sir *Frederick Banbury.*

1327. Was this during war time?—Up to September 27th, 1903.

Mr. *Herbert Lewis.*

1328. The paragraph states that "claims amounting to nearly 2,000*l.* have been withdrawn, having been erroneously put forward, though the reasons for the withdrawal are not stated." Can you give the reasons for the withdrawal?—There were reported as withdrawn 1,300*l.* by the Paymaster in South Africa; he says the claims were wrongly made out. They had been wrongly charged against the officers, and on examination of the claims against the officers, the officers proved their case. An officer, for instance, might have a right to a horse and not have to pay for it. Then 1,400*l.* was considered doubtful; that has been either recovered or cancelled at the Cape, but we are not quite clear how the whole of that stands. Then there is 800*l.* in regard to which correspondence is going on, and we have called for further information from South Africa. Nearly every individual case has had to be looked into.

Sir *Frederick Banbury.*

1329. It seems rather hard when an officer is out on active service that he should be charged every farthing that might be recovered from him as regards his horse or whatever it may be?—As Accounting Officer I wish to recover all the money I possibly can.

VOTES 6 AND 7.

SALES OF SURPLUS STORES TO THE REPATRIATION DEPARTMENT.

Chairman.

1330. (To Sir *Guy Fleetwood Wilson.*) With regard to paragraph 80, I understand that this claim is included in the general settlement which has been already referred to in paragraph 64. Shall we hear no more about it?—This comes within the general settlement.

1331. The general settlement alluded to in paragraph 64?—Yes.

1332. But the general settlement alluded to in paragraph 64 refers to railways?—Quite so. This has nothing to do with railways; I did not mean to convey that, but there is a general settlement which takes in all the outstanding claims. The Imperial Military Railways was one of them, and this is another.

Sir *Robert Mowbray.*

1334. As I understand, we are to get 500,000*l.* for the Imperial Military Railways, but can you tell us what is the general figure of the general settlement which is to include these other items? (Mr. *Chalmers.*) The general settlement includes 750,000*l.* to be paid by the Colonies in respect of 928,809*l.* originally claimed, which amount I take

O.S.

ARMY APPROPRIATION ACCOUNTS, 1902-1904.

Votes 6 and 7—*continued.*Sales of Surplus Stores to the Repatriation Department—*continued.*Sir *Robert Mowbray*—*continued.*

to be the sum of "about 1,000,000*l.*" which is referred to in the middle of the second sub-paragraph of paragraph 80.

Mr. *Gibson Bowles.*

1335. I observe these large sums are received through the Crown Agents?—Yes.

1336. Do the Crown Agents have any commission on these sums?—Yes.

1337. Do you know how much the commission is?—I think it is 1 per cent., but I do not remember precisely at the present moment—I could find it out for the Honourable Member.

1338. I ask the question because then again the same question arises, whether, while it may be right to pay 1 per cent., or whatever it may be, on ordinary sums it is right to continue so large a percentage when the sums become so very large as they are here?—Yes, I might point out to the Honourable Member that any percentage that may have been payable to the Crown Agents would not be from Army funds, but would be payable from Transvaal funds. It would not be within these Appropriation Accounts which the Committee are considering at the moment.

1339. It would not be a reduction from these sums?—No, certainly not.

Mr. *Herbert Lewis.*

1340. Has the Treasury formed any opinion at all as to whether the nature of the services rendered under the subjects mentioned in paragraph 80 would be such as to call for such a large payment as 13,810*l.*?—Yes, 1,381,000*l.* was the original claim.

1341. I am not speaking of that sum, but I am speaking about the commission of 1 per cent. on that sum?—As regards the commission, it is not our business at all; it is a question for the Colony.

Mr. *Blake.*

1342. We get the gross sum?—Yes.

SUPPLIES SOLD TO REPATRIATION DEPARTMENT OF TRANSVAAL AND ORANGE RIVER COLONY.

Chairman.

1343. (To Sir *Guy Fleetwood Wilson.*) In regard to paragraph 81 have you received this sum of 350,000*l.* from the Crown agents as a further payment in respect of the value of provisions and forage issued to the Transvaal and Orange River Colony?—Yes.

1344. There is only remaining the sum that is included in the general settlement?—Yes.

Sir *Robert Mowbray.*

1345. (To Mr. *Chalmers.*) Have we got anything in the general settlement with regard to

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 6 and 7—*continued*,Supplies Sold to Repatriation Department or
Transvaal and Orange River Colony—*continued*.Sir Robert Mowbray—*continued*

to this 40,578*l.*?—That 40,578*l.* was part of relatively small items together amounting to 443,335*l.* in respect of which claim 190,903*l.* has been accepted by His Majesty's Government.

SALES OF SURPLUS SUPPLIES.

Chairman.

1346. Then paragraphs 80 to 90 we will reserve, as they refer to matters dealt with by Sir William Butler's Committee?—(Sir Guy Fleetwood Wilson.) Paragraphs 82, 83, 84, and 85, are under investigation by Sir William Butler's Committee, but paragraph 86 is not. The real point of the Comptroller and Auditor General in that paragraph, so far as I understand it, is that the bargain in regard to these supplies, whether good or bad, was rendered still less good by the payment by the Army of the customs duties and railage from the various supply depots to Elandsfontein. That is the case, and the only explanation I have to offer is that the supplies were sold at the highest rates that could be got, it being understood that the railage and customs duties would be paid by the Army. The general principle upon which all these sales were effected will, I dare say, be brought to the notice of the Committee by General Butler; but this particular paragraph in the Report appears to me (I may be wrong) merely to deal with that point.

Sir Frederick Banbury.

1347. The importance of the paragraph seems to me to lie in the last three lines: "The hay was consigned direct to the Repatriation Department, and it is not understood why it could not have been sold to that Department without the intervention of a firm of middlemen." I should like to ask why it was that the General Officer Commanding in South Africa was not aware of the fact that this hay would be required by the Repatriation Department, and, if he was aware of it, why he did not consign it direct to them instead of employing somebody else to do it for him?—With regard to that point I have no information. I do not know if we could get any. I think you will find that General Butler will have gone into the merits and demerits of the thing generally. But what I wanted to point out was that the only point I can place before the Committee is that apparently the sale was effected under as favourable conditions as the circumstances permitted.

1348. You will see whether you can furnish us with some explanation in case we do not get any satisfactory answer from Sir William Butler in regard to the last three lines of the paragraph?—Certainly I will note it; but I understand Sir William Butler has been enquiring into the question. Then as regards paragraph 88, that is a matter which Sir William Butler has not gone into, except indirectly. All these matters will come before him generally, but that

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 6 and 7—*continued*.Sales of Surplus Supplies—*continued*.Sir Frederick Banbury—*continued*.

individual paragraph could hardly be held to be his.

Chairman.

1349. Do you consider that paragraph 91 is included among those with which Sir William Butler will deal?—Paragraph 91 is not specifically one of Sir William Butler's paragraphs.

Mr. Gibson Bowles.

1350. Or paragraph 90?—Paragraph 90 I think is. In regard to paragraph 90 I may say that the military authorities held that we were not liable for customs duty, and they hold it still, but I do not think they will be able to prove their case. Then paragraph 92 is a matter under investigation by Sir William Butler's Committee—that is the last paragraph dealt with by General Butler.

Chairman.

1351. I think we had better postpone the consideration of paragraphs 82 to 92?—If I may say so, I think it will be more satisfactory to postpone the consideration of all the paragraphs from 82 to 92, and, as regards any which were not covered by Sir William Butler, of course, I should be at your service afterwards.

Consideration of paragraphs 82 to 92 postponed.

SUB-HEAD E.—RENTS, WATER SUPPLY, ETC.

Chairman.

1352. (To Sir Guy Fleetwood Wilson.) With regard to paragraph 93, have you yet sent any reply to the Comptroller and Auditor-General with regard to the rent of this farm at Bloemfontein?—That is Mr. Fischer's case. Mr. Fischer repudiates his liability and a further report has been called for and will be rendered. That is why we have not been able to send a communication yet to the Comptroller and Auditor-General.

1353. That is as to the demand from Mr. Fischer for repayment of rent given to him.—Yes; he repudiates all liability and the matter has been referred to the Attorney-General of the Orange River Colony, and until we get his report upon it I do not think we can communicate with advantage with the Comptroller and Auditor-General. I hope he will understand that we are not neglecting to inform him, but we are not in a position to give him information yet.

Mr. Blake.

1354. Do you expect to obtain the information in time for it to be dealt with this year?—It is in the hands of the officers out there; probably we shall not have the information in time for this year.

1355. Then we shall have to report that the information is still incomplete as regards this matter?—Yes.

1356. Then.

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 6 and 7—*continued.*

SUBHEAD J.—CONCENTRATION CAMPS.

Chairman.

1356. Then paragraph 94 is merely statement?—That is only statement.

1357. (To Mr. Kempe). As regards paragraph 95 do you feel it necessary to reserve any remarks you have to make on these balance-sheets until next year's report?—Yes; we have not yet sufficient particulars.

Mr. Gibson Bowles.

1358. You allude in your report to the period of the year at which these accounts were furnished to you being so late that you really were unable to make the full examination which you otherwise would have made?—Yes; they were very voluminous and we could not have gone through them.

1359. When were they furnished to you?—At the end of December.

1360. (To Sir Guy Fleetwood Wilson). Is there any reason why those accounts were furnished to the Comptroller and Auditor-General so late?—We did not get them till September and they were exceedingly complicated and supported by voluminous documents; there was a great mass of papers, and they raised a great number of questions which involved reference back to South Africa, as well as research here. The examination was done as rapidly as it could be done, but the difficulty in connection with all these South African accounts is that if you are pulled up at any point it means referring out to South Africa, and if you do not then get a complete answer, it means reference back again.

1361. (To Mr. Kempe): Then this is another matter upon which you will have to keep your eye in the future?—Yes.

Chairman.

1362. (To Sir Guy Fleetwood Wilson.) Then the next paragraph, paragraph 96, is merely a statement?—That is merely a statement of fact. These imprints have been accounted for.

MAINTENANCE OF CAPE AND NATAL BURGHERS.

Chairman.

1363. With regard to paragraph 97, the sums mentioned there have actually been paid from the Cape and Natal Governments on account of Concentration Camps, have they not?—Yes. In regard to that, as the settling of this case has involved very heavy work, I should like, with the permission of the Committee, to quote the words of a letter which I have here from South Africa. It says: "The Military Authorities may point with genuine satisfaction to the fact that approximately half a million sterling was recovered. This immense recovery was undoubtedly due to the system instituted and the procedure laid down by Mr. Flynn during his visit in May, 1902." I thought the Committee would allow me to allude to that, because Mr. Flynn has had

G.R.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 6 and 7—*continued.*

EDUCATIONAL CHARGES.

Chairman—continued.

a very heavy burden of work out in South Africa in regard to this matter.

1364. That is very satisfactory. From whom is that letter?—That is from the military authorities in South Africa, reporting the recovery of the money, and pointing out that it is owing to the system which was instituted that the recovery had been effected.

Chairman.

1365. With regard to paragraph 98 the Colonial Government have conceded the payment of the whole of the Educational charges, have they not, and not merely the salaries of the teachers?—That is so.

Mr. Blake.

1366. It is stated here that the information from the War Office is "that the amounts due from the Colonial Governments in respect of the maintenance of the educational staff and of education stores and requisites issued to them have now been recovered and credited, either by deduction from 'maintenance cost' or by direct credit to appropriations in aid." Does that mean that it has been in part credited by deduction and in part credited by direct credit?—I understand it so.

1367. Would you state why those two methods were used, and why one or the other was not used exclusively?—So far as I can understand the matter, I think it would have been better if one system had been applied.

1368. One must be preferable to the other?—Yes, undoubtedly.

1369. Which do you regard as the preferable system?—The latter course, I think.

1370. I entirely agree; I very much object to a system of deduction which does not enable you to see both sides of the account?—If I may say so, I agree with you.

Mr. Gibson Bowles.

1371. (To Mr. Kempe.) Can you suggest any reason why these two methods were adopted?—As I understand, the deductions were made as long as the accounts were open, and when they were closed the money was used as appropriations in aid.

Mr. Blake.

1372. That is to say, practically, deductions were made as long as they could be, and when that was impossible they resorted to what I take to be the good plan?—Yes, apparently so.

TRAVELLING EXPENSES.

Chairman.

1373. (To Sir Guy Fleetwood Wilson.) In regard to paragraph 99, as I understand, the Transvaal Government have paid the travelling expenses.

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[5 May 1905.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Sir G. D. A. F. WILSON, C.B., and Mr. FLYNN.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 6 and 7—*continued.*Travelling Expenses—*continued.**Chairman*—*continued.*

expenses of repatriated Burghers; but the Cape Government have not done so?—That is so. We have recovered £22,000 from the Transvaal Government.

1374. But the Cape have not done so?—No.

Sir Brampton Gurdon.

1375. It says in the report that "the question of a refund by the Cape Government is still under consideration"; has it been settled yet?—As regards the Cape Government, it stands on a somewhat different footing. It represents travelling expenses not, as was supposed, of Cape Burghers maintained in camp, but of prisoners of war, and that would admittedly be an Army charge.

Chairman.

1376. I wanted to ask you one question with regard to an answer of yours at the last sitting to question 1131. The case that was there dealt with was that of the widow of an officer, and on

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 6 and 7—*continued.*Travelling Expenses—*continued.**Chairman*—*continued.*

her death the capital value of her husband's commission, which was worth £4,500, had to be paid. The officer was killed at Inkerman, and his widow had therefore received the interest on that money for fifty years. The question I wanted to ask was this: Would it not be a less expensive method for the War Office to say to the widow in a case like that, you must either take the pension of £200, or you must take the capital value down—that is the £4,500; because, as it stands at present, the War Office have had to pay this lady the interest upon the money for all the fifty years, and then at her death they had to pay the sum down?—I quite see your point—I will have the matter considered. I understand at present it is done under statute.

1377. Cannot the widow be made to take her option at the time the pension is originally granted?—I understand she has a statutory right to do exactly as she likes.

1378. Perhaps you will look into the matter?—Yes, certainly.

Friday, 12th May 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Blake.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.

Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in;
and Examined.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

SOUTH AFRICAN WAR EXPENDITURE.

Sir GUY D. A. FLEETWOOD WILSON, C.B., recalled; and further Examined.

Chairman.

1379. I understand you wish to give some explanation with regard to some points about which you were asked on a former occasion?—I would like to hand in the explanation which I undertook to furnish in more detail as to the variations set out on page 47 of the Appropriation Account in regard to the discrepancies between money voted and money spent. Mr. Lewis asked for further explanation as to those variations. I think this memorandum which I will hand in rather points to the fact that the variations were beyond the control of whoever had to make the estimate. Then I have also a memorandum which you asked me to furnish in regard to the case of a payment made to the widow of an officer killed in the Crimea. I have also a memorandum in regard to the "History of the War," which I will also hand in. (*Handing in the same.*) I have to inform you that I did, in accordance with the instructions received, pass up to the financial member officially a minute of the views of this Committee, that we were not justified in treating Imperial Military Railways as ordinary transport.

REPATRIATION OF BURGHERS.

1380. With regard to the surrender of 126,000*l.* in regard to one month's rations and 0.3.

Chairman—continued.

tent equipment referred to in paragraph 100, it appears from the Comptroller and Auditor-General's Report that they were "free issues," and therefore one hardly knows how the Government could claim anything for them?—This we considered was a claim against the Colony, and it was included in the general settlement. It was dropped under the general settlement.

1381. Do you know why it was surrendered?—It is part of the general settlement to which I alluded last time, and in regard to which, of course, I have no information to give the Committee.

1382-3 (To Mr. Chalmers.) With regard to the general statement you have given as in Appendix Paper No. 8, the Colonial Office letter merely states, in paragraph 2, that the claim for the railways was 1,250,000*l.*; then it says in paragraph 13, "Mr. Lyttelton understands the arrangement which has been agreed upon between himself and the Chancellor of the Exchequer to be as follows:—(a) 1. The War Office Railway Claim to be reduced to 500,000*l.*, and paid." But we know no more than that; have you got anything further to tell us with regard to the reasons for surrendering the 750,000*l.*?—I should be glad to give the Committee the information that I have on the subject. The Committee will observe that in

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Repatriation of Burghers—*continued.**Chairman—continued.*

the first letter in that Appendix Paper it is stated that there is an arrangement which has been arrived at between Mr. Lyttelton and the Chancellor of the Exchequer with regard to the various claims. At the end of the letter it is stated that it is desirable to deal with all claims that exist, together, and have a general settlement. It may interest the Committee to know that the agreement which was reached between Mr. Lyttelton and the Chancellor of the Exchequer was one which took place after repeated conferences, when the various items were gone into in very considerable detail, and the various views held by both sides were fully put forward, the Colonial authorities being represented not only by the Colonial Office, but by Mr. Duncan, the Colonial Treasurer of the Transvaal, who was present; and Mr. Flynn and myself were also present on behalf of the War Office and the Treasury. (Sir Guy Fleetwood Wilson.) Mr. Flynn was not there in any official capacity. Mr. Flynn was present, but he was there simply to answer any questions that might be put to him. If the War Office had been represented officially I should have attended. Mr. Flynn merely went there to be ready to answer was questions that might be put to him. (Mr. Chalmers.) I will simply say that Mr. Flynn was present and I was present; and there were those discussions. The point I am trying to make clear is that the various views held on both sides were very fully put forward, and the settlement reached was a settlement reached by Ministers on broad grounds of general policy upon all the various items dealt with as a whole. As regards the railways (to take that particular instance) the Committee will observe that a sum of 500,000*l.* is put down there as the amount which is taken in respect of that particular item in the general settlement for railways. It is not to be understood that that sum of 500,000*l.* represents within a pound or two any precise figure in respect of that individual claim, which should be regarded as the equitable settlement of that claim by itself. It is practically such an equitable settlement of that individual item by itself; but, as I ventured to say earlier, it has to be taken as part of the general settlement as a whole of several items of which this was one. As regards the railways, the Committee may be interested to know the arguments which were used by the Colony. We started with the position, which the Treasury maintained on information that it had, that a sum of a million and a quarter, in round figures, was due by the two new Colonies to the War Office, and the Imperial Exchequer. The Colonies objected to that on the ground that in the item of a million and a quarter there was included a considerable sum for New Construction of new lines of railway. They did not dispute their liability to pay in respect of those new lines of railway, in principle, but they objected first of all (and that was admitted eventually by the

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Repatriation of Burghers—*continued.**Chairman—continued.*

Treasury) that the new lines of railway which were included in the New Construction comprised some which were of a strategic character pure and simple, and were not railways which the Colony itself, had it been left free to select its own line, would have been engaged in constructing. Therefore they objected *in toto* to certain lines which were included in New Construction being included in the total. They also objected to other railways not coming under the head of being Strategic Railways, on the ground that the labour expended and the cost that was incurred on them, was a cost which was far in excess of what the Colonies would have incurred had they been left to construct those railways at a time convenient to themselves, instead of having the time selected for them by the soldiers then in authority with particular reference to military conditions. The point, therefore, which they made about the remaining lines, was that the cost incurred during the war in constructing those lines was necessarily higher than would have been the case in time of peace, and that as regards the excess cost, the Colonies had an equitable claim to consideration, and to the reduction of the total sum which had been incurred by the War Office. But beyond that, in regard to the total claims of a million and a quarter, the Colonies took a broad, general ground of counterclaim. That counterclaim was mainly of this character; they said, "We have had, as Colonies, to purchase these railways, to pay for them, and become the owners of them, at what we may call their full book value. That represents the full book value before the war. During the war there has been considerable damage done to these lines, and it seems hard upon us that we should not only have to pay that full value to the various persons who claimed to be reimbursed, but also to take over from you, not the line in its full and complete state, but the line very considerably damaged by military occupation and by military incidents as a whole; and we think on that broad, general ground there should be a very considerable rebate from the claim which you prefer for expenditure, which in the main we do not dispute you have actually incurred." That was the general basis of their counterclaim. With regard to this railway claim, I may say in conclusion that there, more than in any other respect, the Treasury had the very greatest difficulty in getting anything, for the reasons I have stated, from the Colonial Government, and from the Colonial Office, who were associated with those Authorities. They objected very much to giving anything. It was with the very greatest difficulty, I can assure the Committee, that we got this sum of 500,000*l.*, as an equitable solution of the point at issue.

Mr. Gibson Bowles.

1384. You stated that there was a statement in this letter that a settlement had been arrived at between the Colonial Office and the Treasury? —Yes.

1385. Can

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Repatriation of Burghers—continued.

Mr. Gibson Bowles—continued.

1385. Can you refer me to the paragraph in the letter in which that is stated? In paragraph 13 there is a statement, "Mr. Lyttelton understands the arrangement to be as follows." That is his understanding of the arrangement?—Yes.

1386. Is that the statement you meant?—That was what I meant. I was trying to link the correspondence on to what does not appear in the correspondence, namely, the interviews at which a practical decision was reached.

1387. Of those interviews we have no record here?—No.

1388. But with regard to the railways, you have given us a sort of summary of the effect of the interviews?—Yes, I think that represents very fairly, certainly as fairly as my memory serves me, what the interviews were.

1389. You will observe that in respect of the railway, which is the item you have taken (I am coming back to the 126,000*l.* in a minute), the larger part of the claim was abandoned. 750,000*l.* was abandoned out of the 1,250,000*l.*?—Yes, that does represent the result.

1390. That was not the result, I think I understood you, of any exact statement of counterclaim on the part of the Colonies, because you said you had difficulty in getting any exact statement?—They did not give us any precise figure for their counterclaim, but it was put on the general footing that it was much larger, and must necessarily be much larger than the total amount of our claim—namely, the 1,250,000*l.*

1391. Larger than the total amount of our claim?—Larger than the total amount.

1392. And you said, we will allow 750,000*l.*?—That is what it came to.

1393. That was a sort of rough and ready statement?—That is the issue of it.

1394. I want to ask one more question as to this claim, and that is, whether it was the War Office that had made this claim?—Yes.

1395. Were the War Office represented at these interviews?—There was an official of the War Office present. (Mr. Flynn.) As I was the official present, perhaps I may say that the Chancellor of the Exchequer distinctly told me that I was there merely to give any information that might be asked for, and did not represent the War Office.

1396. (To Mr. Chalmers.) Then we are to take it that the War Office, who had made the claim, was not represented at its settlement, and that the settlement was made irrespective of the Department that had claimed it: is that so?—That is so. The views of the War Office were very much put forward by the Treasury. But, as I said before, this item must be taken not entirely by itself; it must be taken as part of the general settlement.

1397. Quite so, but we are taking this as a type of the general settlement; that is why I am rather going into it. (To Sir Guy Fleetwood Wilson.) I suppose it would not be right for me to ask Mr. Flynn, but I may ask you, do you,

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Repatriation of Burghers—continued.

Mr. Gibson Bowles—continued.

under the whole circumstances, now approve of this deduction of 750,000*l.* out of the 1,250,000*l.*, keeping in mind that it is, as we have seen, a sort of rough-and-ready settlement of the whole case?—I think the only answer I can properly give to that question is this: that our claim of 1,250,000*l.* was never contested by the Treasury, and therefore I think the War Office were right in assuming that they had made out their case that that sum was due to us. In regard to what I may call the fairness of the deal I can obviously express no opinion, for two reasons: first, because I was not present and do not know what arguments were advanced, and, secondly, because it would not be proper for me to criticise an arrangement which was deliberately arrived at after mature consideration by two members of the Government.

1398. There is also a third reason, is there not—that in the whole deal there were several items with which the War Office had nothing whatever to do? Is not that so?—I dare say there were; I can only deal with my items.

1399. (To Mr. Chalmers.) With regard to the 126,000*l.* mentioned in paragraph 100, for rations and tent equipment, if you will look at the first Treasury letter you will see there is a total of claims under Head A, at the top of page 2, amounting to 2,450,073*l.*?—Yes.

1400. But then there is another set of claims, under Head B, amounting to 129,323*l.*, the total of the two together being 2,579,000*l.*?—Yes.

1401. Then further down the total which the Colonies were to pay is put down as 1,405,155*l.*?—Yes, it turns out at the end of the correspondence to be larger.

1402. Please let me follow that out for a moment. That, of course, does not give the true account of the final settlement, because no mention is made there of the deduction of 126,000*l.*?—Is it not dealt with under paragraph 13, in (3) and (4), where it says "Both these claims to be withdrawn"?

1403. Yes, that is so. I had overlooked that. What I want really to get at is the total original claim and the total claim as it was left after the deal. Am I right in saying that the total original claim was 2,579,000*l.*—that is, adding Heads A and B together?—There is another item referred to in the first three lines of paragraph 7. In an answer which on the 6th March was given to Mr. Whitley in the House, the Chancellor of the Exchequer put the total (and I take the figure from that) at 2,622,144*l.*

1404. Yes, but I purposely omitted No. 7 because it is stated to be an unknown proportion?—Yes.

1405. Omitting No. 7, am I right in saying that the definite total claim was 2,579,000*l.*—that is, adding A and B together?—I will take that from you. We looked at it in this general way: The total claims were a shade over two and a half millions, and we took very little under one and a half million for them in cash,

which

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which we have practically now received in full and given over to the National Debt Commissioners.

1406. You took 1,400,000*l.* for 2,500,000*l.*, roughly?—I think the honourable Member will find it is nearer 1,500,000*l.* than 1,400,000*l.*

Mr. Buchanan.

1407. Were you satisfied, upon the whole, this was the best arrangement we could have made, looking at all the circumstances of the case?—I do not think we could get any more out of them than that.

1408. (To Sir Guy Fleetwood Wilson.) With regard to the assent of the War Office, I see in the letter of January 25th, 1905, the Army Council "note that the claim in respect of the Central South African Railways has been compounded for 500,000*l.*" May we not assume from that that they were assenting parties, or, anyhow, that they had no serious objections to make?—I think as to that I should say this was an accomplished fact, and the Council noted it was an accomplished fact; they did not express any opinion either one way or the other.

Mr. Blake.

1409. (To Mr. Chalmers.) I would like to ask you this question. You tell us, I understand, that we are to look at each of these items as agreed sums representing in the aggregate the amount to be paid on these claims; that they are not to be regarded each one as a settlement of the particular item of claim of which it purports to be a settlement, but that they are to be regarded in some sense as having been arrived at with reference to the others?—Yes.

1410. There is no indication of that at all, that I can find, in the correspondence?—No. I might explain, perhaps, by taking a practical instance, what I mean by that and what was meant in the negotiations. We had, as I said before, the very greatest difficulty in getting the Colonial representatives to agree to anything at all for the railways, upon which they held very strong views indeed. On the other hand, they were under contract for animals, which you will see is another item, the second item; and we felt that they had an equitable claim to a certain rebate in respect of the animals, for which very high prices had, as a matter of fact, been charged to them. We felt that they were equitably entitled to some rebate, but we did not give that rebate until the Colonial authorities were disposed to come nearer to what we desired in respect of the railways. If the railways had stood alone, I am very much in doubt whether we should have got 500,000*l.* from them; but we were able to get it, because we had the other item, the item of animals, on which they were under contract, and where they were therefore appealing to us for equitable treatment. Perhaps that instance will tend to show the honourable member the

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general sense in which I meant that these items must be regarded as hanging together. The settlement really represents a settlement as a whole. We did proceed, of course, to deal with each item by itself, but still the settlement was made as a whole.

1411. You proceeded to deal with each item by itself, but you achieved an understanding or a sort of conditional understanding, as to each and every one of the items, before you finally agreed to adopt the figures. You see each one of the claims is separate, and each one of the amounts agreed to is separate, or the disposition of each is separate?—I quite see that as put down it must have had that appearance to the honourable member. I, of course, have no record of the actual negotiations, and can only express myself generally as to the way in which one thing was held to link on to another, and I have tried to give you a precise instance of the linkage.

1412. Dealing with the railway claim, I want to ask a question or two as to what you have said. I think the general understanding arrived at from statements from the Ministerial Bench in the House was that the railway claim was admitted as a claim, but that there was a counterclaim?—That is so.

1413. The basis was that they had a counterclaim which they would set off against the claim?—Yes.

1414. Therefore it was not questioned that there was 1,250,000*l.* which had been spent?—No.

1415. But there were these counterclaims, which you yourself stated were three or four in number, of the character which you have mentioned; one, for example, was that some of the railways were strategic railways which the Colonies did not want, and which were not worth the money, or perhaps any money, to them. Another was that they were built in time of war, and therefore the price was excessive, and greater than the Colonies themselves would have paid if they had been constructed under normal conditions. The third was that the price of 1,250,000*l.* was the price of the new railway as it was built, whereas there had been considerable deterioration from the use in time of war of these same railways, and therefore it was worth less money. There was yet a fourth, I think, but those are three at any rate. Those three or four counterclaims were set off against the 1,250,000*l.*?—That is so.

1416. Now what I want to have explained, and what has been puzzling me, is this: the statement you made was that the counterclaims exceeded the 1,250,000*l.*?—That is so. Might I say I must not be understood as quite agreeing with the honourable member as regards his recital of what I have tried to urge concerning the counterclaims in regard to the last item he referred to. It is not with reference to the new constructions the cost of which was included in the

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the 1,250,000*l.*, but with reference to the whole railway system of the Transvaal, that the counterclaim for depreciation was made.

1417. I did not apprehend you meant that from what you previously said?—I am sorry I did not make it clear.

1418. The counterclaims, then, embraced a claim for deterioration of the whole railway system of the Transvaal, that is, the existing railway system which the military authorities took possession of for the purposes of the war?—That is so.

1419. I can quite understand that in itself might make up a counterclaim running into millions; one cannot tell how much that might be. It was in that way that it was rendered possible that the counterclaim might exceed the value of the total claim of 1,250,000*l.* Were any figures produced at all?—No precise figures were produced, but it was recognised that the counterclaim in its principle might be a very considerable amount indeed.

1420. But no figures were produced as representing the amount suggested as proper to be allowed in respect of either one of those three items of counterclaim which you have described?—Yes. I am afraid I do not carry the figures with me, but there were figures as regards the strategic railways, for instance. Then there were also figures mentioned in general terms as regards the higher cost of labour, and so forth, in making other railways during the war, as compared with peace time; but as regards what I take it to be the general point of the honourable Member's question as regards the counterclaim for injury done to the general system of railways in the Transvaal, old and new alike, there was no definite figure put forward.

1421. That I would understand from what you have just said was the largest item of counterclaim, although a figure was not put forward, it lumped the largest?—Yes.

1422. As regards the other two, was a sum stated with regard to each or either of the other two?—I do not remember at the moment a total figure for the excess cost of labour, which I think was the second item of the honourable Member's three cases. I think about 60,000*l.* was the figure in regard to the strategic railways.

1423. The War Office claim was for the cost of the railway, and the cost of the railway was admitted by the Colony—that is, the fact that it was worth 60,000*l.*?—Yes.

1424. Then what they said was, "This railway is purely strategic; it is worth nothing to us, and we therefore propose to you to strike out the item of 60,000*l.*, which is your claim for that"?—That is so.

1425. Then you get to the other item, which is the excessive cost of lines which were useful but which cost too much money in consequence of being built in a hurry during the war?—Yes.

1426. Can you name the figure that was suggested as the deduction for that?—I am afraid I cannot.

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gested as the deduction for that?—I am afraid I cannot.

1427. Could you say whether there was a figure mentioned?—I do not remember a total figure. I remember the general argument about the difference in rates. I am afraid I cannot say what the difference was, but I remember it was a basis rather than a total.

1428. I will take it, then, inasmuch as the whole suggested counterclaim (although we have not had the amount of it yet) exceeded 1,250,000*l.*, and the only item we get any specific figure about is 60,000*l.*, the enormous bulk of the counterclaim must have been this one for deterioration of the Transvaal railway system?—Yes.

1429. That was the main and important thing?—Yes.

1430. That being the main and important thing, it was not propounded in figures what should be allowed for that?—No, it was represented in general terms as very, very much exceeding our million and a quarter. I personally got the idea that it was well over double that, but that is merely an impression of my own.

1431. It might be anything, unless it was being supported by some sort of figure or some sort of principle of computation?—Yes.

1432. What I am trying to get at is whether any figure or principle of computation or ground for arriving at such a sum as you have now suggested (which is about two and a half millions) for deterioration, was put forward by those who propounded this counterclaim?—If I may put the conclusion, it was this: Ministers were satisfied that such counterclaim would have exceeded the million and a quarter. In saying that I am understating the matter.

1433. The Ministers were satisfied there was an equitable counterclaim for deterioration exceeding one and a quarter million?—I did not say "an equitable counterclaim," I said there was "a counterclaim."

1434. I thought you meant a just claim. They were satisfied that the Colonial authorities advanced a claim, although they did not name a figure, which would be more than the one and a quarter millions?—Yes. If one takes into account the enormous scope of that counterclaim, I think the honourable Member will see that it must be very enormous in its amount. Take, for instance, the case of every bridge that was broken and temporarily repaired or repaired in an imperfect way, that, while it would involve money expenditure to that extent on the part of the War Office, would yet leave the Colony with a very large claim on that basis to have the railroad put in the state in which it was before the war.

Mr. Cohen.

1435. As regards the system which was adopted

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adopted, I understand the Treasury put in their claim in great detail, and then a settlement was arrived at; may I ask whether they came to a settlement by arriving at a maximum amount *en bloc*, or were some of these items specifically and individually challenged, and deductions made?—Certain specific things were undoubtedly challenged and reduced. In the case of the 126,000*l.* for rations, that was abandoned.

1436. But I mean as regards those that were admitted?—The things that we abandoned were used to get as much as we could on other things where we had a difficulty.

1437. Did they contest any of the valuation that was put upon these items?—No. It was dealt with on principle. The actual figures were were accepted on both sides practically.

1438. The counterclaim therefore was only in regard to the excess, which was due either to the railways being strategic railways, or to their having been made at a time when labour was very expensive; because, of course, a certain amount was recognised as being due under any circumstances?—Yes, as regards the railways, the figure of 1,250,000*l.* was accepted, subject to this suggestion for its reduction on the ground of objecting not to the recorded total, but to the principle involved. There was this big counterclaim which, of course, affected the whole result.

1439. When the objections were made and defined, some details were furnished, I suppose?—Yes.

Mr. Herbert Lewis.

1440. May I ask, with regard to the railway claim, whether any expert advice was taken of engineers or railway people?—No.

Sir Robert Mowbray.

1441. I see all the items in this settlement, with the exception of one, were claims by the War Office?—Yes.

1442. Rightly or wrongly, the War Office was not directly represented at the time when this agreement was arrived at?—That is so.

1443. Have you anything to say with regard to the one item which was not a War Office Claim, namely, "Balance of debt of late South African Government to His Majesty's Government, 126,000*l.*" I see that has been wiped out altogether?—Yes; we wiped that out because it was our own; but we wiped it out, I can assure the honourable member, only because we got considerably more than the 126,000*l.* elsewhere.

1444. In fact, you regarded it as part of the general settlement of give and take?—It was useful in getting a larger sum on one of the other items.

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Repatriation of Burghers—*continued.*

Chairman.

1445. (To Sir Guy Fleetwood Wilson.) In the latter part of paragraph 100, I see it is mentioned that a claim of 14,000*l.* has been admitted by the Colonial authorities in respect of rations to indigent burghers who were not inmates of refugee camps?—Yes. The amount of 14,000*l.* will be paid into the Exchequer; not to the credit of Army Funds. That item was accepted by the Colonial Office, it was dealt with in the general settlement.

RATIONS ISSUED TO SURRENDERED BURGHERS.

Chairman.

1446. In regard to paragraph 101, I gather no claim has been made against Colonial funds in regard to these rations issued to surrendered burghers and their families?—It was considered by the War Office and the Colonial Office that this was a Military necessity incident to the close of hostilities, and that the burghers surrendering were upon the same footing as prisoners of war, and no claim was therefore made on that account. In deference to the views of the Comptroller and Auditor-General we have reported the matter to the Treasury. We did not think at first it was necessary to do so. The Treasury have given their covering sanction, and I think the Comptroller and Auditor-General has been so informed. (Mr. Kempe.) Yes.

Mr. Gibson Bowles.

1447. Does that satisfy you?—Yes.

ISSUE OF FORAGE TO SURRENDERED BURGHERS
FROM BURGHER CAMPS.

Chairman.

1448. (To Sir Guy Fleetwood Wilson.) The issues which are mentioned in paragraph 102 are much the same thing, I presume?—Yes, they were recognised as an Army charge, especially as they were made under the orders of the Military Authorities.

REPATRIATION OF NATIVES.

1449. As regards the sums mentioned in paragraph 103, the sum of 10,000*l.* has actually been paid, and the other sum of 6,117*l.* has been deducted from the Orange River Colony; that is so, is it not?—Yes; that will be credited in 1904-5.

* SUB-HEAD M.—CONTRIBUTION TO CIVIL
GOVERNMENT, ETC.

1450. As I understand paragraph 104, the Civil Government of the two Colonies took over the sum

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Sub-head M.—Contribution to Civil Govern-
ment, etc.—*continued.*

Chairman—continued.

sum due for payments for claims for goods re-
quisitioned by the Imperial troops?—Yes.

1451. But that sum was to be covered by a
lump sum of 3,000,000*l.* But as regards the
first million, only 710,000*l.* was spent in the first
year?—Yes.

1452. In the second year there came the
balance of that and the two millions?—Yes.

1453. That is supposed to satisfy all the claims
for stores requisitioned by the troops?—Yes, all
outstanding claims.

1454. (To Mr. *Chalmers.*) The Treasury do
not require any vouchers in detail, they are
satisfied with this entry in the notes here for the
two millions for that purpose as a lump sum?—
That is so. It was a contribution. It requires
no vouchers; but there was an undertaking with
Lord Milner that he would apply the money to
the specific purposes, and that should there be
any balance he would hand it over.

1455. But as at present advised there is almost
certain to be no balance; the claim will largely
exceed the amount of the fund?—Yes.

VOTE 8.

CLOTHING ESTABLISHMENTS AND SERVICES.

Chairman.

1456. (To Sir *Guy Fleetwood Wilson.*) In
regard to paragraph 105, there appears to have
been a mistake made in giving clothing and
stores free of charge to volunteer corps raised in
South Africa?—Yes; it was discovered that cer-
tain articles of clothing and equipment were in-
cluded in the gift over and above what was con-
templated by the War Department.

1457. As you cannot get back the clothing,
you are satisfied to get only the stores?—Yes,
that is all we could do.

Sir Brampton Gurdon.

1458-9. Will not you get any payment for the
clothing?—No, it was given on the under-
standing that it was a free gift. Lord
Kitchener expressed a very strong wish at
the conclusion of hostilities in South Africa
that we should give a free gift of arms
and equipment to the Transvaal volunteers,
who had served us very well. This really rose
from a local mistake as to the meaning of
"equipment." It appears that locally "equip-
ment" is held to include clothing, whereas our
technical term "equipment" does not include
clothing. That is how the mistake arose, but
we obviously could not take back the clothing
after the men had worn it, nor could we charge
them a small sum per head for what had been
given them as a gift. It was purely a misunder-
standing of the meaning of the word "equip-
ment."

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VOTE 10.

WORKS, ETC.

PART 1.—SUB-HEAD N.—BARRACKS.

Chairman.

1460-1. Paragraph 106 relates, I imagine, only
to the permission that has been given by the
Treasury to reopen a sub-head in order to insert
certain claims that were not brought before them
before?—Yes. We thought Engineer Services
in the Field were practically closed and done
with, but it turned out they were not, and so
we had to obtain Treasury sanction, which we
did on February 24th, 1904, to reopen in 1903-4
the item of "Engineer Services in the Field."
and to charge against it 844*l.* 11*s.* 9*d.* which
should have been charged to that service, but
which came in late.

Sir Robert Mowbray.

1462. In spite of the addition to that Vote,
there was a surplus on Vote 10; it came out all
right at the end?—Yes, that is so.

WORKS EXPENDITURE OUT OF MILITARY WORKS
LOAN.

Chairman.

1463. (To Mr. *Kempe.*) Paragraph 107 will
be better dealt with on the Military Works Loan
Account, will it not?—Yes, there are some para-
graphs in regard to the matter on that Account.

BUNGALOWS NOT ALL ERECTED.

1464. (To Sir *Guy Fleetwood Wilson.*) In
regard to paragraph 108, the bungalows question
was discussed last year, and it was said that the
War Office succeeded in getting the Treasury to
allow the expenditure in order to save lodging
allowance, and to provide for married men's
quarters; is not that so?—These were mainly
officers' bungalows.

1465. I should say married officers' quarters?
—Yes.

1466. But they have not all been used for
married officers' quarters. It says that to avoid
non-use of quarters they have been used provision-
ally for quartermasters, riding-masters, and other
men who would not otherwise have had quarters?
—Yes. Getting the bungalows, sending them
out, and erecting them, necessarily took a
considerable time, and that was the great reason
for pressing on with them at that time. The
then Secretary of State did not feel justified in
waiting till Parliament met for special authority
for the spending of this money, and he desired
these bungalows should be sent out as rapidly as
possible, and put up for the benefit of the troops
Then it was found the re-casting of the localities
O in

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Vote 10.—*continued.*Bungalows not all Erected—*continued.**Chairman*—*continued.*

in which the garrisons were to be placed and various other reasons raised the question as to whether it would be wise to erect some of these bungalows straight away. The question is still under consideration, and we have quite recently cabled to the General Officer Commanding for figures to enable us, if possible, to arrive at a conclusion and go more rapidly ahead.

Sir Brampton Gurdon.

1467. It also depends upon the changes in the distribution of the troops very considerably, does it not?—It does; and the composition of the garrison also.

1468. Those changes are still going on?—Yes. We are in constant communication with South Africa with a view to arriving at a conclusion.

PAYMENTS OF FIELD ALLOWANCES TO OFFICERS
APPARENTLY IN OCCUPATION OF BUNGALOWS.*Chairman.*

1469. In regard to paragraph 109, has any reply been received to this question whether officers living "under canvas" may be considered to include officers living in bungalows, and so claiming field allowance?—I should like to say at once that I do not defend the retention of the words "under canvas" in the certificate. It arose, I think, owing to a form being used in which the words "under canvas" were in the certificate. I think that form ought not properly to have been used.

Sir Brampton Gurdon.

1470. What are field allowances for when the officers are under canvas. Is it as a sort of compensation?—Yes.

1471. If they are given bungalows they have no business to receive that compensation?—I quite agree, and I do not defend this certificate being given with those words in it, because I think it is wrong; but the unfurnished state of most of the bungalows in South Africa led us to charge no rent prior to the 1st November, 1903.

1472. Then it was deliberately done?—It was deliberately done, only they filled up the certificate improperly.

Mr. Buchanan.

1473. What has happened with regard to it since; have the field allowances been paid?—They would be stopped automatically directly the officers got their bungalows and settled into them.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 10.—*continued.*Payments of Field Allowances to Officers
Apparently in Occupation of Bungalows—*cont.**Mr. Buchanan*—*continued.*

1474. Have the officers living in these wooden bungalows received allowances as if they were living technically under canvas?—Whatever they are getting now they are getting in accordance with what is due to them under the Regulations.

1475. The point, I gather, was this: 'This particular term in the certificate "under canvas" was taken not to apply to men living in temporary hutments?—Yes.

1476. Has that been enforced against these officers; have they not got their field allowances?—They were not charged rent for these bungalows because the bungalows were not finished at the time, and they certified that they were "under canvas." Strictly speaking they were not under canvas but they were under conditions that would apply as though they were under canvas. The bungalows were not complete and proper for them to live in.

1477. Did they get the field allowances they would have got if they had been under canvas?—Yes, they did, such of them as had the right to them.

1478. (To Mr. Kempe.) Have you got any answer to your question which you say in this paragraph has been referred to South Africa?—Yes, we have had the explanation that Sir Guy Fleetwood Wilson has just given. We are satisfied that though the officers were not living under canvas they were living under camp conditions. I believe they are entitled to quarters "equipped and furnished," and these bungalows were neither equipped nor furnished.

Mr. Blake.

1479. So that your question has been answered to your satisfaction?—Yes.

SUB-HEAD X.—APPROPRIATIONS-IN-AID.

RECEIPTS FROM SALE OF HUTS, LUMBER, ETC.,
FROM BOER PRISONER CAMPS.*Chairman.*

1480. (To Mr. Kempe.) You say in paragraph 110 that the Indian Government have not given vouchers in respect of these huts, and so on at the Boer Prisoner camps in Ceylon and India, which have been sold to the Indian Government—the Indian Government do not generally give vouchers, do they?—We should expect some proof as to the value received.

1481. You have asked for information; have you

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Vote 10.—*continued.*Sub-head X.—Appropriations-in-Aid—*cont.*Receipts from Sale of Huts, Lumber, etc., from
Boer Prisoner Camp—*continued.**Chairman*—*continued.*

you received it?—We have had no answer so far. (Sir *Guy Fleetwood Wilson*.) I thought we had obtained certificates from the Commissariat Storekeeper-General, and that they had been forwarded to the Comptroller and Auditor-General.

Mr. Gibson Bowles.

1482. Have you got the certificates?—We have called for them, and I thought we had got them, and sent them on, but if not they are being obtained.

1483. Would those be vouchers from the Government of India?—Yes, from the Commissariat Storekeeper-General.

Sir Frederick Banbury.

1484. You have got the money, I suppose?—Yes; it was only a question of vouchers.

GIFTS OF HUTS IN CEYLON.

Chairman.

1485. (To Mr. *Chalmers*.) With regard to paragraph 111, it is not unusual, is it, for the Treasury to allow gifts to be made to the naval and Colonial authorities with your sanction?—No.

1486. You gave your sanction in this case for these huts?—That is so.

VOTE 12.

SUB-HEAD G.—COMPENSATION FOR LOSSES.

Chairman.

1487. (To Sir *Guy Fleetwood Wilson*.) These prices mentioned in paragraph 112 as given for horses of the New South Wales contingent were within the allowance regulations, were they not?—Yes. We have had satisfactory replies in every case. We have had satisfactory replies when the Public Accounts Committee sat last year, from all the Colonies except New South Wales, and that reply has now been received and is satisfactory.

1488. Did we pay for the horses of all the Colonial contingents—was this an unusual case?—I think this would be normal.

STOCK FARM ACCOUNTS.

1489. In regard to paragraph 113, as I understand, these surpluses arise from captured stock being brought in, and no vouchers taken?—That is so.

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Vote 12.—*continued.*Stock Farm Accounts—*continued.**Chairman*—*continued.*

1490. Therefore, of course, there being no vouchers a surplus comes about?—Yes. We were very glad to get the animals.

1491. In the other cases as regards the deficiencies, does the paragraph mean that they took away the animals, and that they did not get vouchers from the persons they consigned them to—is that it?—I do not think I can give you any explanation as regards that.

1492. (To Mr. *Kempe*.) Then I will ask the Comptroller and Auditor-General what this paragraph means with regard to these deficiencies; does it mean that the civilian conductors took away the stock and did not get any vouchers from the consignors they gave it to?—I understand the stock were driven from one station to another and were left without a receipt being got for them.

Mr. Gibson Bowles.

1493. (To Sir *Guy Fleetwood Wilson*.) The deficiencies and the surpluses balance each other in this case?—Yes, and the surpluses are to the good.

Chairman.

1494. It is hoped that will be remedied by changes in the method of accounting in future?—I hope it will be remedied in future. But these great sweeps all over South Africa rendered it almost impossible to get any correct accounts of the stock. As has been pointed out the surpluses exceed the deficiencies in this case.

Mr. Blake.

1495. The subject is still under reference as I understand to the War Office?—We hope to have a better system of accounting in the field in future.

Mr. Cohen.

1496. (To Mr. *Chalmers*.) I see it here that a "copy of a Report on the subject has recently been transmitted by the War Office to the Treasury." You have received a Report?—Yes; it was sent for our information. We had no action to take upon it. They merely sent it for us to see.

1497. We have not got it. (To Mr. *Kempe*.) Has it not been furnished to the Comptroller and Auditor-General?—I have seen it.

1498. Does that Report explain satisfactorily the question of surpluses and deficiencies? Here we only have the number of animals—whether they are properly accounted for to you I suppose you know, but the Committee does not know. I understand a Report has been handed to the Treasury and you have also seen it?—We have seen it.

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1499. It

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Vote 12.—*continued.*Stock Farm Accounts—*continued.**Chairman.*

1499. It does not account for the surpluses and deficiencies?—Only incidentally.

1500. May we take it that there is no means of accounting satisfactorily and regularly for the surpluses and deficiencies?—There was not in the cases mentioned here; but in future it is hoped there will be.

1501. We know the number of animals in each case, but as regards their value we do not get here the credit or debit for the surpluses or deficiencies?—That is so.

CATTLE EXCHANGED FOR HORSES.

1502. (To Sir *Guy Fleetwood Wilson.*) With regard to the issue of 8,000 cattle referred to in paragraph 114, made to an officer for the purpose of exchange for horses with the Basutos, it is known, is it not, that a sufficient number of cobs to represent these cattle was received?—Yes. The officer in question is no longer in the service, so I am afraid it is impossible for us to carry the matter any further.

VOTES 14 AND 15.

PROVISIONAL AWARDS OF PENSIONS TO COLONIALS.

1503. In regard to paragraph 115, is it not settled yet whether the pensions to Colonials will be paid out of Imperial or Colonial funds?—These were pensions which were given to men who were invalided to this country, and found to be in a state of pecuniary distress. There were provisional grants of pensions made to them from Army funds; we treated them as though they belonged to the regular forces. But it would appear that some of them had claims to pension on Colonial funds, and the Colonial Office are in communication with the Governments of Cape Colony and Natal with a view to a transfer of the pensions and the return to Army funds of some 6,000*l.* or 7,000*l.* In the cases where those soldiers have no claim against Colonial funds the charge will remain against Army funds.

1504. Supposing a man of the Colonial contingent was wounded and permanently disabled, does not he get a pension from our funds?—Yes; unless he has got some particular claim against the Colonial funds we should treat him as an ordinary soldier and pension him.

Mr. Blake.

1505. So that the only question which arises is the question whether he has not to some extent a right against the Colony, which, of course, you are entitled to set off?—Yes; it may run into some 6,000*l.* or 7,000*l.*; we are corresponding with them about it now.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*

BALANCES IRRECOVERABLE AND CLAIMS ABANDONED.

Chairman.

1506. (To Mr. *Kempe.*) Can you tell me whether this total for "deficiencies in regimental company and other accounts" of 74,000*l.* is more than it has been before?—Yes, it is much larger. It is due, I think, to all the companies at the end of the war sending in their final accounts at once for the war. It contains 28,000*l.* for the Yeomanry, but otherwise it is a collection of small accounts.

1507. With regard to the item "Stores for Rhodesian Field Force imperfectly vouched," 36,000*l.*, that alludes to what we went into before as regards stores which were lost between Beira and Marandellas, the accounts of which have been lost except for one unvouched ledger?—Yes.

1508. (To Sir *Guy Fleetwood Wilson.*) As regards the next item, "breach of contract by Colonel Colebrander," that was gone into fully last year?—Yes, we went fully into that case. I reported that he was bankrupt.

1509. Out of the 11,000 horses which he purchased 3,000 died before he could take them away from the farms, and as he contracted to buy at 5*l.* 10*s.* a horse, that amounts to quite half this amount?—Yes.

1510. With regard to the item of "Allotments of Pay amounting to 20,000*l.*," that is for the whole war, I presume?—No, it is for the clearing up of the account.

1511. This is to meet cases where a man has been paid what he had allotted at home?—Yes.

1512. You think in future the small book which he will take out will show the allotments that have been made at home, so that it will not be possible to pay him twice over?—Yes, I think so. Something was certainly required to meet the difficulty. Whether we have hit upon the best expedient I do not quite know; but the matter is being considered, and we hope this new small book will meet it.

Mr. Gibson Bowles.

1513. The most serious item in this list is "deficiencies in regimental company and other accounts" of 74,000*l.*; it is serious in this respect, is it not, that it involves a breach of faith on the part of persons who understood what they were doing apparently?—No, I do not think quite that. In itself it is a large sum, but it applies to very colossal sums, I may say. The difficulty in accounting and knowing what was being done exactly in the way of paying the men in South Africa was quite abnormal. You could not follow up the accounts in the way you would even in an ordinary war in Europe. There were contingents miles away from anywhere; we did not know who raised them, all we knew was that they drew money. It was abnormally difficult as regards checking of expenditure.

1514. We have had that confession of failure often

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Votes 14 and 15.—*continued.*Balances Irrecoverable and Claims Abandoned
—*continued.*Mr. *Gibson Bowles*—*continued.*

often repeated in regard to these accounts?—I am not answerable for the accounts as regards that period, but I may say as regards the difficulties of any accounting during the South African War it is hardly possible for this Committee to realise what they were.

Mr. *Blake.*

1515. We have only the gross total here. Is it scattered over a great number of accounts in small sums?—Some of it is only unvouched expenditure; a considerable portion of it may have been perfectly just and right, only we have not got actual documents to produce which we should be able to produce under normal conditions. I know a great deal of it is what you may call legitimate but unvouched expenditure made up of various component elements.

Sir *Robert Mowbray.*

1516. I suppose you have not worked out what percentage the loss would represent?—I have not, but it obviously must be very small.

FRAUDS AT ALDERSHOT.

Chairman.

1517. (To Mr. *Kempe.*) I think there is a misprint in the first line of paragraph 117. It speaks of sums "amounting to 460*l.*," and we are referred to page 114. The figure there is 260*l.*, which is right?—460*l.* is right. You will see there are two items in the two columns on page 114, and this is the total of the two together. One column is "cash" and the other is "claims abandoned."

Sir *Robert Mowbray.*

1518. Does "cash" mean "cash stolen" or misappropriated?—The column marked "cash" refers to the current year, and the previous column refers to past years.

Sir *Brampton Gurdon.*

1519. I take it that "cash" represents money that a man actually ran away with?—"Cash" indicates money that has been paid, or has disappeared, within the year, and cannot properly be charged to the votes. The other column includes money that was improperly charged in the closed accounts of previous years, and of which there is no likelihood of recovery.

Sir *Brampton Gurdon.*

1520. Is not the first column the deficiencies in the man's accounts, and the second column the money he wrote off?—No, the second column applies to the current year, and the first column to past years.

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*Frauds at Aldershot—*continued.*Sir *Brampton Gurdon*—*continued.*

1521. (To Sir *Guy Fleetwood Wilson.*) Why did the Officer Commanding pay 70*l.* in this case referred to in paragraph 117?—It was considered to be a fraud. They were found to be frauds; one man got twelve months, two officers were censured, and one officer was sentenced to a fine of 70*l.* The Court of Inquiry would assess the blame, and that was the outcome of it.

CLAIM AGAINST COLONEL COLENBRANDER WRITTEN OFF.

Chairman.

1522. We dealt with the matter referred to in paragraph 118 last year?—Yes.

DEFICIENCIES IN ACCOUNTS OF DETAILS OF ROYAL IRISH FUSILIERS.

Chairman.

1523. (To Sir *Guy Fleetwood Wilson.*) In regard to paragraph 119, can you give any reason why this fraud was not reported to the Treasury?—I think it would have been better if it had been reported to the Treasury, but the representative of the Finance Branch had no reason to suspect it was a fraud, and he dealt with it as a non-fraud item (which we do not report to the Treasury) instead of a fraud item. Such items formed a very usual feature of the final accounts of details attached to Provisional Battalions, owing to the inexperience of the Company Officers in accounting work, and the large number of men constantly passing in and out of those battalions. It does not follow it was a fraud, but still, as the money went like that I frankly admit I think it would have been better to have reported it to the Treasury.

1524. You always do report cases of fraud, do you not?—Yes, if it is a clear and distinct case of fraud it would be reported to the Treasury at once. This case was not considered by the officials to come exactly within that category, so they did not include it in the list. There was no intention to keep it back in any way.

UNEXPLAINED CREDIT BALANCES.

Chairman.

1525. In regard to paragraph 120, I think the Committee will be agreed that we could not alter this now, as the natives cannot be found, and the person has disappeared who should have paid them?—I do not think I can give any explanation upon that. The case is shrouded in mystery.

1526. In

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Votes 14 and 15—*continued*.Unexplained Credit Balances—*continued*.*Mr. Gibson Bowles.*

1526. In the meantime you have got some 2,400*l.* more than you expected?—Yes. We can only surmise the officer charged for natives on duty and that he did not pay them, but any explanation is speculative.

Chairman

1527. The officer in question is dead, is he not?—Yes.

Mr. Blake.

1528. Have you recovered the money?—Yes, there is no loss on it.

Chairman.

1529. Paragraph 121 says that it is supposed this sum of 918*l.* was not credited at the time in the Paymaster's Accounts?—Yes, it appears to have been an accumulation of sums received at various times and held over in the hopes of vouchers turning up, and they have never been forthcoming. As a rule all the credits to the public are duly supported by vouchers. This is made up of small sums I think.

MODIFICATION OF RULES GOVERNING WRITES-OFF.

Chairman.

1530. In regard to paragraph 122, this is an enlargement of the powers of General Officers Commanding to write off losses of cash up to a limit of 20*l.* instead of 5*l.*?—Yes, there is a slight increase.

1531. And losses of stores and equipment up to a limit of 100*l.*?—Yes, instead of 50*l.*

1532. If he has the concurrence of your local auditor?—Yes.

Mr. Gibson Bowles.

1533. (To Mr. Chalmers.) I gather Treasury authority has been given to these modifications?—That is so, on the Report of the Dawkins' Committee.

1534. Has a similar step been taken with regard to the Navy?—In principle we have applied to the Admiralty the War Office arrangement so far as it would go, but at the Admiralty they have not got the power devolved to their local commands in the same way as the War Office have got it; consequently the War Office arrangement could not simpliciter be applied to the Admiralty.

1535. I do not want to pursue this, but is there not rather greater authority on the part of a captain of a ship than, for instance, the Colonel of

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15—*continued*.Modification of Rules Governing
Writes-off—*continued*.*Mr. Gibson Bowles—continued.*

a Company, with regard to stores?—The honourable Member will have an opportunity of putting the question when the accounts of the Admiralty are before the Committee, and I will note the point and be prepared to answer it then. At present I can only say, so far as we could apply the War Office arrangement to the Admiralty, we have done so.

BALANCE SHEET.

Chairman.

1536. Paragraph 123 we have dealt with; that is with regard to Allotments amounting to the sum of 20,745*l.*?—Yes, it is practically the same point that has been dealt with.

CLEARANCE OF BRITISH SOUTH AFRICA COMPANY
AND CANADIAN DEBTOR BALANCES.*Chairman.*

1537. (To Mr. Kempe.) In regard to paragraph 124, the British South Africa Company have paid in this 46,000*l.* odd?—Yes, that is closed.

1538. And the Canadian balance has been cleared, you say, also?—Yes, all those balances.

Sir Frederick Banbury.

1539. I do not quite understand this. I may be wrong, but from what I gather it appears to be a balance owing from the Canadian Government, and it has been cleared by charging the Transvaal and Orange River Colony. Is that a satisfactory arrangement?—The expenditure on the Canadian contingent and the South Africa Constabulary had at that time not yet been definitely accepted by the Transvaal and Orange River Colony; now it has been accepted.

Mr. Gibson Bowles.

1540. Is that part of the general settlement?—No.

Sir Brampton Gurdon.

1541. (To Sir Guy Fleetwood Wilson.) Is this the actual pay of the Canadian contingent?—It is the expense incurred in raising the detachment.

Mr. Blake.

1542. (To Mr. Kempe.) Is seems that 66,000*l.* out of a sum the total of which I do not see, has been arranged by the Transvaal and Orange River

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Votes 14 and 15.—*continued.*Clearance of British South Africa Company and
Canadian Debtor Balances—*continued.*Mr. Blake—*continued.*

River Colony taking it over, and the balance has been charged to Army Votes?—Yes. The total was 80,000*l.* (Sir *Guy Fleetwood Wilson.*) The balance has been charged to Army funds because it was for forage supplied for Army purposes.

AUSTRALIAN COMMONWEALTH AND NEW ZEALAND.

Chairman.

1543. (To Mr. *Kempe.*) With regard to the debtor balance referred to in paragraph 125 on the Australian Commonwealth Account, was that for raising their Contingent?—Yes, it was a balance of 307,000*l.* in connection with raising their contingent.

Sir *Frederick Banbury.*

1544. How has it been reduced—has anybody else paid it for them?—It was discharged by crediting the Colony with certain payments claimed in their account, which were subsequently vouched and passed.

1545. Have you merely made another entry on the other side, or have you received any payment?—(Sir *Guy Fleetwood Wilson.*) We refunded the cost of raising of these contingents.

1546. Have you made an entry upon the other side?—(Mr. *Kempe.*) They sent in their accounts and the debt was written off by allowing them credit for payments.

Sir *Brampton Gurdon.*

1547. They had a large ledger balance to account for, and they have sent in vouchers which reduced it to below 5,000*l.*?—Yes.

RAILWAYS ACCOUNT.—NORTH CHINA.

Chairman.

1548. (To Mr. *Chalmers.*) With regard to paragraph 126, the North China indemnity has now satisfied all the claims of private persons, has it not?—I think that is so. It has also settled this claim of the North China Railways.

1549. I thought it was to be met out of the next instalment of the indemnity payable in 1905. That is not yet paid, is it?—Yes, that has been paid; the War Office has received the money. (Sir *Guy Fleetwood Wilson.*) The first instalments of the indemnity were devoted to settling the claims of private individuals; and they are satisfied. (Mr. *Chalmers.*) And I think the War Office has got the money, 90,000*l.* (Sir *Guy Fleetwood Wilson.*) Yes, it has been paid in in point of fact.

1550. Do you know whether that is the whole claim?—Yes, that will clear the Suspense Account.

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*

MAURITIUS.—PURCHASE OF TEAK.

Chairman.

1551. Paragraph 127 refers to the purchase of teak, which was gone into last year?—Yes. I may mention we have telegraphed again quite recently for these ledgers and vouchers, but we have not yet got them. Until we do, I am afraid we shall not be able to see exactly how the matter stands.

Mr. *Gibson Bowles.*

1552. (To Mr. *Kempe.*) You will keep your eye upon this matter, I presume?—Yes.

OUTSTANDING QUESTIONS.

Chairman.

1553. I think paragraph 128 merely states what the Comptroller and Auditor-General thinks ought to be the mode of treating this expenditure which is still the subject of inquiry?—Yes.

1554. Paragraph 129 is merely a statement of the total?—Yes.

Mr. *Kempe* withdrew.

DECENTRALISED ARMY FINANCE.

(APPENDIX PAPER No. 7.)

Chairman.

1555. (To Sir *Guy Fleetwood Wilson.*) We propose now to discuss Appendix Paper No. 7, which you handed in on April 14th. Do you wish to add anything to what is stated there in the way of explanation?—I do not think I have anything to add to it, except to say that I thought it my duty to put that paper in, because I think unless my position, or, rather what is more to the point, the position of my officers in the districts, is very clearly defined, it will modify my responsibility to this Committee, and in that way it may be taken that the control over expenditure by this Committee might perhaps undergo some modification. It is, of course, for the Committee to deal with the matter and to decide whether there is any point in my contention or not.

1556. If you do not wish to add anything, will you allow me to make one or two observations upon the statements in that paper?—Certainly.

1557. You say "I am able to assume the responsibility for the work of this staff, provided that their work is subject to my control, that they can direct my attention, if necessary, to any point upon which I might wish to comment, and that I can rely upon them to do so." But in the directions to the Chief Accountants in paragraph 59 of the special Army Order it says the Chief Accountant of a command "will correspond direct with the Principal Accountant at the War Office"

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Votes 14 and 15—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7)—*continued.**Chairman—continued.*

Office" (who, I imagine, is you) "on matters relating to audit, the preparation of the appropriation account for Parliament, and technical questions of accounting, and also in regard to the civil personnel of the branch." That would seem to me to meet your difficulty. Then going on to the points which you wish to put before the Committee, you say first, "It is essential that my representatives in the district should be solely responsible to myself as Auditors, and should have power to approach me direct if as Auditors they are not satisfied with an decision arrived at locally." That appears also to me to be met by this regulation, which says that they are to correspond directly with you?—The point is rather, as I say here, "if it be distinctly understood that paragraph 57 relates to the responsibility of the officer in charge of administration as an *expending* officer," and "also that paragraph 59 devolves the responsibility as Accounting Officer upon my representative, the Chief Accountant, and that as auditor the Chief Accountant can always report direct to me (through my immediate assistant for such purposes) I have no objection to raise." It is rather placing on record the way I consider it would have to be worked than asking for any additional powers. What must be made, I think, quite clear is that the Accounting Officer is my officer, and that as such he is my sub-accountant, and therefore I can hold him responsible to me just as I am responsible to you. There must be no blocking him on the part of his military chief. He undoubtedly is in a sense under the Major-General or Brigadier in charge of administration.

1558. But not for audit purposes or for the preparation of the Appropriation Accounts, or for technical questions of accounting, and so on?—As I say, as long as it is held to be quite clear that the paragraphs in the Army Order are read in that sense, I think I have no objection to raise.

Mr. Pym.

1559. In paragraph 57 of the special Army Order it is said, "He (the Major-General or Brigadier in charge of administration) will be directly responsible to the War Office on financial subjects." Does that mean to you?—That is exactly the point. If any financial question which is raised is brought to the Financial Member of the Council, I do not mind, but, of course, the "War Office" is rather a vague term, and it might go to the Military and not the Financial side.

1560. Who is the Financial Member of the Council?—He is what used to be called the Financial Secretary.

1561. You are not on the Council yourself?—No.

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Votes 14 and 15—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7)—*continued.**Mr. Pym—continued.*

1562. Then it is open to infer from this paragraph that this relates to some other officer at the War Office than yourself?—It is open to doubt. It does not specifically say it is to be reported to the Accounting Officer who is responsible to this Committee. I might never know anything about it.

1563. Has the point ever been raised, have you raised the point at all in order to have it cleared up?—Yes. Of course, all Army Orders, as you know, go through a good deal of discussion and consideration, and they are eventually issued as the outcome of the opinion of those who have to deal with them. It is in consequence of that element of doubt that I have thought it right to place the matter before the Committee as the Accounting Officer responsible to you.

Sir Robert Mowbray.

1564. (To Mr. Chalmers.) Did this special Army Order of January 6th, 1905, go through the Treasury in any way?—No, this Order did not come through the Board of the Treasury.

1565. But it relates to matters of account, or to methods of account at any rate?—That is so; the Treasury had already, before that Order was issued, in its minutes on the Report of the Public Accounts Committee of last year expressed its view very definitely, and almost, as it would appear, in anticipation of the difficulties now in question. There we took the very definite ground which the Treasury must always take, and must adhere to, that the Accounting Officer who signs the Appropriation Account, which the Committee have now before them, must be in a position to have the power to do what he signs as having done. He may delegate his work to people, but those people must be under his orders and his authority entirely, so far at any rate as relates to his duty as Accounting Officer. May I quote the actual words which the Treasury used on the subject? Speaking about the personal responsibility of the Director of Army Finance as Accounting Officer, it says "his officers will compose the Army Finance Department" (that there is no question about); "and their powers of allowing expenditure from Army moneys will be those delegated to them by him, and will not be subject therein to authority other than his." That was the Treasury line, and must always be the Treasury line in support of the responsibility of the Accounting Officer.

Mr. Pym.

1566. Do you agree that this reference to the War Office in paragraph 57, which I have been asking questions about, refers to the Director of Army Finance?—I cannot express any opinion, and certainly I am not authorised to express any opinion at all, upon the meaning of the Army
Or

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Order, but if there is the slightest doubt about it, I think it is of the greatest importance that an expression of opinion should be given on the subject, so that there may be no weakening of what is the very basis and corner-stone of our Financial System, namely, the personal responsibility (as a trustee) of the Accounting Officer for the votes of Parliament.

1567. You mean by that, that you would like to have an expression of opinion by this Committee on the point?—If the Accounting Officer has any doubt about the matter, or if there is any difficulty likely to arise in the exercise of his responsibility, it would be desirable.

1568. (To Sir Guy Fleetwood Wilson.) From your previous answer it is evident that you have a doubt about it. You said distinctly there was a doubt as to whom that referred to?—I think the matter of such importance that there ought to be no possible doubt about it. May I also remind the Committee of the very serious nature of the certificate which I have to sign, and which is set out at the end of page 5 of this Appropriation Account. Unless I have absolute control over my outside-of-London accountants I do not see how I can properly sign that certificate.

Mr. Gibson Bowles.

1569. I take it that the Special Army Order represents possibly a new view of Accountancy, conceived in the interests of the Army, but that it will be subject to review by a Committee like this, charged with the supervision of the Public Accounts of the Empire; and that no doubt those who drew up the terms of the Army Order will recognise a certain weight as attaching to any recommendations we may make. What I wanted to ask was this: Paragraph 57 seems to me, if I gather rightly the intention with which it was drawn up, to set up an entirely new Accounting Officer?—I think paragraph 57 would rather indicate that the Major-General, or the Brigadier in charge of Administration, would become an Accounting Officer.

1570. I think so, because it says, "The Major-General or Brigadier in charge of Administration will be directly responsible to the War Office on financial subjects, and will see" that certain things are done, which things are the peculiar province of an Accounting Officer. (To Mr. Chalmers.) I do not know whether you notice those words?—My attention has been drawn to them.

1571. I do not know whether you share my view. If this Major-General or Brigadier is responsible for certain things, and has to see that those things are done, and those things are A, B, C, and D, as set out in paragraph 57, he really does in effect become a new Accounting Officer?—He cannot become the Accounting Officer.

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Votes 14 and 15—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7)—*continued.*Mr. Gibson Bowles—*continued.*

1572. I agree he cannot be, but if paragraph 57 were to be carried out as I understand, he would be?—It is very desirable that no shadow of doubt should remain upon that point. There is one Accounting Officer for all the Appropriation Accounts.

1573. I entirely agree with you; it raises a point of first-rate importance especially belonging to this Committee for consideration. It is a point which I assume must have been in the minds of those who drew this Special Army Order, and I therefore should construe this paragraph as being drawn really *ad referendum* to this Committee. I mean it would not be an absolute Army Order; it would be subject to accountancy rules. But I want to follow this just a little further, because I want to know what the charge is. First of all it seems to me that paragraph 57 as it stands makes the Major-General or the Brigadier a new Accounting Officer. Then if you look at paragraph 59, he has got, to assist him, a Chief Accountant, but with strictly limited duties; he is "to audit," he is to assist in "the preparation of the Appropriation Accounts for Parliament, and technical questions of Accounting, and also in regard to the civil personnel of the Branch," but he is to be under the orders of the Major-General or Brigadier?—Yes.

1574. Those two paragraphs taken together seem to me not only to set up a new Accounting Officer, but to entirely oust from the proper duty of Accounting that Chief Accountant who is to be put there, but to be put there for certain things only, and "under his orders," that is, the orders of the Major-General. Then there is paragraph 61, which is also important. It says: "Should the Major-General (or Brigadier) in charge of administration order the Chief Accountant to make a payment or pass a charge which, in the opinion of the latter, is not authorised by regulation, the question will be referred by the Major-General (or Brigadier) to the Army Council." You observe it says the question will be referred, not by this Accountant he has got with him, but by the Major-General himself, and he has to refer it not to the proper Financial authority, but to the Army Council.

Sir Brampton Gurdon.

1575. (To Sir Guy Fleetwood Wilson.) When this question arises which the Major-General is to refer to the Army Council, will the chief accountant on his side make a report of it to you?—I think it is very difficult to say what will happen, because my difficulty in connection with the three paragraphs is that they do not hang together, but create an element of doubt as to what the situation is. If the Accounts Branch Officer in the district is Accounting Officer, and

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as

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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7.)—*continued.*Sir Brampton Gordon—*continued.*

as such responsible to me, I can work the system, because then the only change is really that he would be my officer at Salisbury instead of being my officer in another room in the War Office. But if the Accounting Officer is not my man, then I cannot be held responsible to this Committee as Accounting Officer for what takes place where I have no control. It is because of the element of doubt which, in my opinion, is raised by these paragraphs as put into juxtaposition, that I have ventured to ask the Committee to consider the matter, which seems to me a very grave one, and to assist me in the elucidation of this doubt by giving an expression of opinion upon the whole matter. I am comfortable, so to speak, if I get the Accounting Officer in the district, and it is distinctly understood he is my man, and my Sub-Accountant. But if he is not then I think the matter presents very serious aspects.

Chairman.

1576. He is described in paragraph 59 as "the Chief Accountant of a command who will be an official of the Finance Members Department"—that is your Department?—Yes, but paragraph 57 taken by itself would almost indicate that the Major-General or Brigadier is the Accounting Officer.

Mr. Blake.

1577. Have you considered at all what changes in the verbiage would remove the difficulty?—I think what is really wanted is that it should be laid down distinctly that the Accounting Officer in the Military district is the Chief Accountant, who is a member of the Accounts Branch of the War Office, and answerable to me, and through me to the Finance member of the Council, and, on the question of accounting for the public money, answerable to this Committee. The exact wording of the Army Order of course I have not considered—it is not quite my place to do so.

1578. However, you have brought this before us very properly and we have got to consider in substance whether there is a real doubt, and also in what way we should put the expression of our opinion?—It is a question of how this will be interpreted.

1579. If for example it is open to two interpretations, one of which would be in accordance with our views and the other different, we might say it is open to two interpretations, but we think the correct interpretation is so and so, and this is the only interpretation we could accept; and if there is any doubt about it, or that is not the view of the War Office, the matter might receive further attention. If on the other hand we cannot honestly say that,

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7.)—*continued.*Mr. Blake—*continued.*

but our belief is that it is a miscarriage—that the true interpretation is not what it ought to be—then we ought to say that. It was for that reason I thought we might get to the precise point of action, so as to speak, if we knew what words you yourself thought created the difficulty, and changes would remove the difficulty?—The difficulty of altering the actual wording of the Army Order is that the Army Orders are issued by the Adjutant-General to the Army, and it is almost, I might say, a constitutional right of the Adjutant-General to control the Army Orders. I would, therefore, greatly prefer that the Committee should not ask me to undertake a task which would appear to be revising an Army Order, which is an Order issued to the Army by the Adjutant-General.

Mr. Victor Cavendish.

1580. Is not the whole Army Council responsible for Army Orders?—The Council is responsible as a whole for everything that is done; but the Army Orders are specifically within the functions of the Adjutant-General, and he would be answerable in the sense that the Council would probably follow him in the matter of an Army Order.

Mr. Blake.

1581. So far as I see, we have no power to make or to alter an Army Order?—You cannot alter the Order, but you could lay down the principle as Public Accounts Committee.

Mr. Gibson Bowles.

1582. (To Mr. Chalmers): Am I right in believing that I myself asked a question in the House as to whether the new regulations when the Major-Generals or Brigadiers were appointed, would affect in any way the system of accountancy, and the responsibility of the Accounting Officer, and the functions of this Committee?—I remember there was a question of the sort, and the answer I believe was in the negative.

1583. The answer was that things would remain precisely as they are in that respect?—(Sir Guy Fleetwood Wilson): I think it was not intended so far as I know, that the responsibility to this Committee should be impaired. I cannot conceive it should be, because this Committee is all powerful in the way of accounting.

Sir Brampton Gordon.

1584. Are the Major-Generals or Brigadiers referred to here the eight Major-Generals that we have heard about?—Yes.

1585. Are

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Sir G. D. A. F. WILSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7.)—*continued.*Sir *Brampton Gordon*—*continued.*

1585. Are they appointed yet?—Some of them are, some are not.

1586. They are not under the five other generals, are they?—They are, and they are not. They are under them in this sense, that they belong to the district, and they are under the command of the big General. But for the purpose of money expenditure and of supplies generally, they occupy rather the position, if I may take that as an illustration, which the principal Medical Officer does. They have got their own little kingdom, so to speak.

1587. But they are quite independent in regard to their own work, I presume, because the districts will not be co-terminus, will they?—They have got their own sphere of action.

1588. Might they be partly under one of the five Generals and partly under another?—No. A General's district may be divided into two administrative districts, but you would not have a Major-General half under one General and half under another.

Mr. *Pym*.

1589. I suppose there is an Accounting Officer attached to each of these Generals, as his adviser—that was the original intention when this new arrangement was made?—Yes.

Mr. *Buchanan*.

1590. I suppose we may assume, that the three points which you summarise at the end of this paper are those which you wish to bring particularly under our consideration, and to be reported upon?—I hope the Committee does not think I have gone too far in asking for consideration of those points. I felt it my duty to do so, and I confess I would be very glad indeed if the Committee would help me and help those who are responsible for the accounting, by indicating what their view is with regard to the proper position I and the officers under me should hold under the new organisation. If I had to rewrite the statement I might have perhaps put it even more strongly—that what I think is important is that the Accounting Officer should be a member of the Accounts Branch.

Sir *Robert Mowbray*.

1591. Can you tell me whether this is based upon the Report of the Esher Commission? The whole of it is the outcome of the Esher Commission.

1592. Was this particular point dealt with in any detail by the Esher Commission? It was not elaborated in any extreme detail, but the general indication was largely to increase the freedom of action as regards the expenditure
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ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7.)—*continued.*Sir *Robert Mowbray*—*continued.*

of money on the part of military men, and make them more responsible for it, just as now the members of Council have within their vote greater freedom of expenditure than they used to have.

1593. That is what I wanted to get at. It rather represents one view of policy, and it is not a thing which may have been merely done *per incuriam*?—I do not take any exception to it if this administrative General is an expending officer. I think that is right. Let him spend as much money as he likes if he will accept the whole responsibility for it. But if there is to be any question as to whether a certain expenditure is *ultra vires* or not in accordance with the regulations, I think somebody else ought to go into that.Mr. *Victor Cavendish*.

1594. Does not paragraph 57 make him an expending officer? Sub-head D lays down certain things which he must see are not done?—Yes, but if that constitutes him the Accounting Officer and puts him in the position of deciding whether certain money is or is not deflected to purposes other than those contemplated by Parliament, that does not satisfy me.

1595. You say that paragraph 57 makes him the Accounting Officer?—I do not say it does, but I say I do not want any doubt to exist about it.

Mr. *Blake*.

1596. By the last line of paragraph 57 it is expressly stated that "He will sign a certificate to the above effect in transmitting the annual general state of accounts," which is a suspicious sort of phrase?—I think the relation between the paragraphs has not, perhaps, been carefully thought out in the drafting of this Order.

1597. No doubt there was a good deal of discussion at the time of the Esher Commission, and a good deal suggested as to greater freedom on the part of military officers, and this is the outcome of it?—I think, in point of fact, the tendency in past years was, perhaps, to tie them down too much in actual expenditure, once they had got their money. I think we should get better results, and we have already got better results, in giving them greater latitude. But when you come to accounting, if he is the Accounting Officer it is really like a man auditing himself.

Chairman.

1598. With regard to the three points about which Mr. Buchanan asked you, where you summarise your views, I do not know that either of the last two calls for our attention. In No. 2 you say that you think that the
p 2 benefits

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[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7.)—*continued.**Chairman*—*continued.*

benefits of the system in that respect outweigh the risks, so that there would be no complaint from you about that?—No. I should explain that in putting in those two paragraphs, I did so for this reason: that I considered that as this was a very important departure from anything we had had before, the Committee perhaps would expect me to point out what had struck me as being likely to effect the case; those are two items which do effect the case, and therefore I alluded to them; but it is more in the nature of a *caveat* that I point them out.

Chairman.

1599. We should not be supported by your opinion in objecting to that particular point?—No, I do not think so—I only thought it right to point out that this did create a new condition of affairs in which if there were certain objections it was counter-balanced and outweighed by the advantages.

Mr. Buchanan.

1600. You only say as regards that “the advantages of the system may outweigh the disadvantages?”—Yes, of course nothing but experience can show whether they actually will.

1601. It is a new departure?—It is an entirely new departure, and what I wanted to guard against was this: if anything happened in the future the Committee might very properly have said to me, “Did not you ever consider these

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Votes 14 and 15.—*continued.*Decentralised Army Finance—*continued.*(Appendix Paper No. 7.)—*continued.**Mr. Buchanan*—*continued.*

things?” As I say, I have considered them, and the conclusion I have come to is that I have ventured to put the matter before the Committee—nothing more than that.

Mr. Blake.

1602. You have no plan in your mind by which the advantages can be achieved without encountering the risk to which you refer?—No, I think you must throw in the risk, and that the balance is in favour of trying it.

Chairman.

1603. As regards No. 3 in your summary of the points, we cannot alter what is there? That has nothing to do with us?—No, it is No. 1 that is important.

Mr. Gibson Bowles.

1604. It is No. 1 you really desire to draw attention to?—Yes, the broad principle of who is to be the Accounting Officer in the district.

Chairman.

1605. I think we ought to have the whole Army Order before us; perhaps you will let us have it next time?—I think it is in your possession. The complete Army Order was handed in, but I will send you some more copies of it.

Friday, 19th May 1905.

MEMBERS PRESENT :

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Sir Thomas Esmonde.
Mr. Goddard.

Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., called in; and Examined.

Sir GUY D. A. FLEETWOOD WILSON, C.B., recalled; and further Examined.

CHELSEA HOSPITAL.

Major-General GEORGE SALIS SCHWABE, C.B., called in; and Examined.

Chairman.

1606. You are still the Lieutenant-Governor of Chelsea Hospital, and responsible for this Vote?—Yes.

1607. I observe from the first paragraph of the Comptroller and Auditor-General's Report that you would have had a deficit had it not been for this legacy of 500*l.* under the will of the Rev. W. H. Cooper?—That is so.

1608. Have you taken any steps to bring about the equalising of receipts and expenditure next year?—Yes, steps have been taken. The 100*l.* a year for the chaplain has been transferred from this Vote to the Public Vote and 200*l.*, which I receive as a personal allowance, will cease when I retire on the 6th of July next. It is now arranged that certain payments which in former years were paid to miscellaneous funds, but which really ought to have been paid to the Army Prize Fund, should in future be paid to that Fund. That has been referred to the Treasury, and the Treasury have given their approval. So that in future the expenditure and income of the Army Prize Fund will almost balance.

1609. I was going to ask about that. Do I understand, then, that the additional salary to the Lieutenant-Governor, of 200*l.*, and the salary of the Roman Catholic Chaplain of 100*l.* a year will be removed from the Prize Fund to the Voted Fund?—No, the salary of the Chaplain has been removed to the Voted Fund, but of the 200*l.* to the Lieutenant-Governor 100*l.* will cease entirely on my retirement, and the other 100*l.* will be transferred to Voted Funds.

1610. That will, of course reduce the deficit on the Prize Fund by 300*l.* a year?—Yes.

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Mr. Gibson Bowles.

1611. You seem to have over 100,000*l.* of Army prize money?—No, the balance of Army prize money is 76,000*l.* in Consols.

1612. There is 99,726*l.* securities, I see, or perhaps that is the nominal value?—That is including the Private Fund—the Legacy Funds. The actual Army prize money on April 1st, 1903, was 76,792*l.* 8*s.* 2*d.* in Consols, though there was a cash deficit of 643*l.* 13*s.* 2*d.* Then, if you go to the balance on March 31st, 1904, you will find the same amount of securities in Consols, and a cash deficit of 599*l.* 2*s.* 3*d.*

1613. I see. According to the account on page 3 (if I am right) you have only paid away 8*l.* 12*s.* 4*d.* of Army prize money; is that so?—During the year we only paid away 8*l.* 12*s.* 4*d.*

1614. Is this prize money accumulated from various sources?—The greater part was handed over by Act of Parliament, and there have been accumulations since, which consisted of interest which was not spent. We have had no other payments.

1615. How did you ascertain the prize shares paid to soldiers representing 8*l.* 12*s.* 4*d.*? Who certifies that that is the right share?—We have got books at the Hospital with regard to all claimants. I suppose I certified to it. I looked through the books. It was an outstanding claim.

1616. It was an outstanding claim already ascertained?—Yes.

Chairman.

1617. Of this large sum of 76,792*l.*, I understand all over 75,000*l.*—that is, nearly 2,000*l.*.

19 May 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., [Continued.
Sir G. D. A. F. WILSON, C.B., Major-General G. S. SCHWABE, C.B., and Colonel C. G. JEANS.

CHELSEA HOSPITAL.

Chairman—continued.

is interest on your prize money, is it not?—75,000*l.* was the amount at the time of the first audit, and the remainder represents savings since that date.

Sir Robert Mowbray.

1618. What are these "Other Receipts" to the Prize Fund which are put down here as 32*l.* 6*s.* 9*d.*, besides the dividends?—On the readjustment of the Funds certain payments had

CHELSEA HOSPITAL.

Sir Robert Mowbray—continued.

been paid into the Miscellaneous Fund which ought to have been paid to the Army Prize Fund; and with the approval of the Treasury we transferred 32*l.* 6*s.* 9*d.* from the Miscellaneous Fund to the Army Prize Fund.

1619. Does that account for the fact that your Miscellaneous Fund, which started with a balance in hand of 194*l.* 5*s.* 5*d.*, ends with a deficit of 144*l.* 18*s.* 3*d.*?—Yes.

(Major-General Schwabe withdrew.)

ROYAL ARMY CLOTHING FACTORY.

Colonel C. G. JEANS, called in; and Examined.

Chairman.

1620. You will observe that there is a considerable decrease in the amount of the out-turn as stated in paragraph 2 of the Report of the Comptroller and Auditor-General. There is a change from 403,000*l.* odd to 362,000*l.* odd; is that in consequence of large stocks being accumulated from the war?—Yes, it is partly for that reason.

1621. You require a less out-turn?—We had a larger amount in 1902-3, because the troops were coming back from South Africa, and we had to provide them all with full dress, which for three years they had not had, so that our accounts for that year were considerably higher, and it is the reduction in that, principally, that brought it down to 362,000*l.*

1622. There was a large decrease in the preceding year, was there not?—There was a large decrease before that—that was owing to the cessation of the war; we were no longer making war provision. The year 1902-3 was still over the normal, because, as I say, we were supplying the troops with full dress.

1623. Then I suppose you employed much fewer people in this year under review?—Yes, the Establishment has come down considerably.

1624-5. Of course, the normal hours have been resumed at the factory for some time past, have they not?—Yes.

1626. I want to ask is the cloth now inspected annually; the Committee found there was a great depreciation of cloth, in consequence of its not being inspected; is the stock-taking annual now?—It is taken annually now. It was only dropped during the war. In fact I think it is going to be done oftener; that is continual stocktaking; at any rate there is an annual stocktaking.

1627. That includes the cloth?—That includes the cloth.

Mr. Goddard.

1628. Who inspects the cloth?—There are a number of qualified inspectors.

1629. Who are experts in the matter of material?—Yes.

Mr. Goddard—continued.

1630. They really know what they are about?—Yes; they are picked out practically for their special knowledge, and there is a Chief Inspector over them.

1631. Who is the Chief Inspector; is he an Army Officer?—Yes, he is an Army Officer.

1632. Does he know anything about cloth?—Not necessarily.

1633. How can he keep them up to the mark?—He has to use his own judgment.

1634. Are your Inspectors all simply Army Officers, or have they any special knowledge as to the nature of cloth?—There are three Inspectors with special knowledge, an Inspector of Hosiery, an Inspector of Cloth, and an Inspector of Boots—they are all chosen for their special knowledge. (Sir Guy Fleetwood Wilson.) As they were appointed by me when I was there, might I say that the Inspectors were taken from civil life from trades which were analagous to those which they now have to deal with the products of and after most careful consultation with men like the senior partner of Messrs. Morley and people of that sort; so that you may rest assured that their qualifications are quite beyond doubt. Then there is an officer who looks after what I may call the administration of the whole of the Inspection Department; but the technical work is done by technical experts.

1635. My only object was to ascertain whether these matters were simply dealt with by officers, who had no special knowledge. I am quite satisfied by the answers that have been given?—I wanted to explain the matter personally, because I carried it out.

Mr. Cohen.

1636. (To Colonel Jeans.) May I ask for an explanation of one item on page 5 of the Accounts—"Contributions in aid of Local Rates, 538*l.* 13*s.*" What does that mean; I presume the local rates are much more than that?—They are much more than that, because the factory forms only a portion of the Establishment; there is the Stores Branch where the clothing is all stored and inspected.

1637. What

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[Continued.]

ROYAL ARMY CLOTHING FACTORY.

ROYAL ARMY CLOTHING FACTORY.

Mr. Cohen—continued.

1637. What governs the system of contribution—do they pay a fourth, a fifth, or a tenth, or whatever it is?—(Sir Guy Fleetwood Wilson.) It is allotted on the value of the place, just as if you had two houses in one street. This is the factory's contribution to the total which is paid for rates.

1638. It says "Contributions in aid of Local Rates"?—Yes, because the whole rate payment is very much heavier than that. This is what

Mr. Cohen—continued.

falls on the factory. The factory is a portion of the whole place, which occupies several acres of ground.

1639. They pay the whole of the portion which falls to them?—Yes, just as you might pay a rate for your stable separately from a rate for your house.

(Colonel Jeans withdrew.)

MILITARY WORKS ACTS 1897, 1899, 1901, AND 1903.

ACCOUNT 1903-4.

Terminable Annuities—continued.

Chairman.

1640. (To Sir Guy Fleetwood Wilson.) I think you answer for the Military Works Account, do you not?—Yes.

1641. As I understand paragraph 2, under the three preceding Acts you had a sum provided of 15,810,500*l.*; that by the Act of 1903 was increased by five millions, making in all 20,810,500*l.*?—Yes.

1642. Then you have the power of selling any existing barracks and applying the sums so realised to the same purposes?—Yes, to an amount not exceeding 500,000*l.*

1642*. Of that 20,000,000*l.* about half has been spent—namely 10,256,000*l.*—as the net total?—Yes.

1643. 3,262,900*l.* was the net expenditure last year. Therefore you have in hand 10,561,000*l.*?—We have credit for that, so to speak.

TERMINABLE ANNUITIES.

Chairman.

1644. As regards paragraph 5, it is provided for by Terminable Annuities. The only difference that is made in this last Act, as I understand, is that the annuities are to be for a period not exceeding thirty years from the actual date of borrowing; whereas in the former Acts it was always from the date of the passing of the Act?—Quite so.

Mr. Gibson Bowles.

1645. The effect of making the period of thirty years run from the date of borrowing instead of from the date of the passing of the Act is that if you borrow too early, that is to say, if you borrow money before you actually require to expend it, you so far affect the term of its repayment?—You have less period in which to repay.

1646. You bring the time of repayment nearer than it need be?—Yes, but though we cannot earmark the work, we shall earmark the money,

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Mr. Gibson Bowles—continued.

and respect the conditions, so to speak, under which we have had it.

1647. If you look a little below the middle of the second sub-paragraph of paragraph 5, you will see it is stated, "The National Debt Commissioners have agreed, in accordance with the terms of Treasury Minute of 24th September, 1903, to advance from time to time money required out of funds in their hands available for investment." Am I right in concluding that that practically makes a double debt of it; first of all there is the debt to the National Debt Commissioners, which has to be paid in thirty years, and then finally there is the debt which the National Debt Commissioners practically have to incur? The National Debt Commissioners are in a fiduciary position: they have no monies of their own, they hold monies for certain purposes?—For certain purposes.

1648. Consequently, if they lend the money, it amounts to this, that it makes a double debt; does it not?—I do not think so, because there is only one liability for one sum.

1649. It is true it is only one sum, but it makes a debt in two places. The National Debt Commissioners have practically to borrow it, and then they lend it?—My position is that of receiving the money, so that I think it would be rather for the Treasury to explain (and I am sure they would do it more successfully than I should) the machinery under which that money is provided for us to spend.

1650. (To Mr. Chalmers.) Am I right in surmising that this money usually has come out of the Savings Bank money?—That is so.

1651. Then practically it would amount to a borrowing by the National Debt Commissioners from balances in their hands the property of the Savings Bank?—It is a utilisation of money in their hands in order to gain interest.

1652. "Utilisation" is the term you substitute for "borrowing"—is that so?—It is entirely analagous to an ordinary banker, who uses deposits in his hands; but undoubtedly it is the case that it is money received in a fiduciary capacity.

1653 (To

19 May 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

MILITARY WORKS ACTS 1897, 1899, 1901, AND
1903.

Terminable Annuities—*continued.*

Mr. Buchanan.

1653. (To Mr. Kempe.) I observe in the last three lines of paragraph 5 it says, "Issues up to 15,810,500*l.* (which were authorised by Acts previous to 1903, and therefore come under their terms) will continue to be repayable within thirty years of the 1897 Act." Do I understand, therefore, that this will be the procedure; that up to the present moment no money has been issued under the new terms—that is to say no Terminable Annuities have been set up under the new conditions of the Act of 1903?—There may have been some. This only refers to advances that were made before the new Act. When more money is advanced for the same purpose, the same limit of repayment is imposed, although the new advances may be made under the new Act.

1654. For purposes which appear for the first time in the 1903 Act?—Yes.

1655. Otherwise for all purposes which were included in Acts previous to 1903, up to the sum of 5,600,000*l.*, which is the difference between the 15,800,000*l.* and the 10,200,000*l.*—to that extent you will still set up Terminable Annuities which will be repaid in thirty years from 1897?—That, as I understand it, is the arrangement which has been made for convenience.

1656. Under Statute?—Yes; the Statute does not impose thirty years as an absolute limit, but it gives thirty years as the maximum.

HEAD 1.

DEFENCE WORKS.—PURCHASES OF LAND, ESTI-
MATED VALUE AND ULTIMATE COST.

Chairman.

1657. (To Sir Guy Fleetwood Wilson.) Will you give us some explanation of this paragraph? As it appears to us, the War Office had certain land which had to be valued; the valuer affixed it at 30*l.* The owner, however, claimed 8,000*l.*, and the umpire gave in his award 2,387*l.*, and his award was finally altered to 2,040*l.* Who is responsible for all these extraordinary valuations?—The responsibility largely rests with the person who makes the arbitration.

1658. How does the valuer account for his being so entirely wrong?—The valuer, I think, would contend he was right; and I am not prepared to say he was not.

1659. Then why did you accept the figure of 2,040*l.*?—An umpire was appointed under the Defence Act of 1860, and he awarded 2,387*l.* He was appointed as umpire under the Defence Act. There it is; we cannot control that. Nor can we control what he named as the figure to be paid. The position of the valuer is that of having said he conscientiously and honestly believed that he fixed a proper price. It may be an error of judgment, or he may be right.

1660. In the last sub-paragraph it says there are "similar cases, in each of which the award

MILITARY WORKS ACTS 1897, 1899, 1901, AND
1903.

Head 1.—Defence Works.—Purchases of Land,
Estimated Value and Ultimate Cost—*continued.*

Chairman—*continued.*

has been largely in excess of the valuation"?—Yes, we do have very great difficulty in cases of valuation in Ireland. The arbitrations can rarely be reconciled with the original valuations. I think every care is taken to appoint sound valuers, and I have no reason to question their honesty or their care; but it does turn out very often that there is a very marked discrepancy between the original valuation and the award. I have raised the point as to whether it would not be possible to arrive at what should be more equitable awards. But when you come to working by compulsory purchase under Acts of Parliament, and the Court or the arbitrator names a certain figure, I do not think you can blame the valuer because he named a very much lower one in the beginning.

Sir Brampton Gordon.

1661. At any rate you may say the final award was nearer the figure of your valuer than the amount claimed?—Yes, I would say that most certainly. I think it will always be found to be the case that you get your valuation nearer what is finally determined upon, than the actual claim.

Mr. Goddard.

1662. It must be remembered that this sort of valuation leads to a great deal of expense. I take it if your valuer had not put so low a value upon the land you would not have contested the point in the same way; so that it has led you to the expense of an Arbitration Court?—It may have been too low, but I do not think it is in the least fair to assume that it was so; I cannot answer as to that. You employ a technical valuer, and he does his best. I have never known a valuer as a rule go out of his way to name a very low figure. He generally names a figure that will lead to business being done. But as I say, we do have, in the case of Ireland, very great difficulty in coming to a satisfactory agreement as to price, so much so that I have drawn particular attention to the matter.

Mr. Goddard.

1663. I do not understand the answer in regard to that second sub-paragraph. This land is valued at 30*l.*?—Yes.

1664. What does that mean? It is perfectly nonsensical on the face of it; 30*l.* is no value at all?—It is just bare and barren land.

1665. If you appoint a valuer and he has to tell you what you are to pay for land which you are going to take compulsorily, surely he has no business to put a valuation like that upon it?—His business is to put what he considers to be a fair and honest value upon it. Beyond that I cannot go; I am not a land valuer and I cannot argue it.

1666. If you employed a valuer to value property for yourself and you had such a result as

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as this, would you not be inclined to give him notice to quit?—No, I should be very much inclined to question the whole matter of this award before I blamed my valuer.

1667. One or the other is clearly wrong?—Yes; as I have already said, we have great difficulty in dealing with these cases in Ireland, because the amount fixed by the Arbitrator is generally something out of all proportion to what we have been led to understand is the value of the land.

1668. And there is no other Court you could appeal to?—No. In Ireland the conditions in this respect are quite different from what they are in England.

Chairman.

1669. (To Mr. *Chalmers*.) Can you offer any suggestion as regards this paragraph?—I observe in this particular case, as in most cases, the War Office did go to the Commissioner of Valuation in Ireland, who actually does assess property, and is probably the best opinion you can have. If the War Office private valuation is endorsed by a public authority of great importance, I really do not see what else the Department can do than say "We have taken the best advice." That was the case in this instance.

Mr. *Cohen*.

1670. (Sir *Guy Flectwood Wilson*.) You said you had no reason to question either the honesty or the industry of your valuer?—No.

1671. I am sure you have not. But as to his competency, if you have a gentleman who advises you constantly wrong, does not that point to a change?—I do not admit that he does advise us constantly wrong. We have, I understand, employed a man who stands very high in his profession, and who has a recognised position *ad hoc*.

Mr. *Goddard*.

1672. Did this valuer, in giving his valuation, state that that was, in his opinion, the value of the land, without any reference to compulsory purchase or other questions coming in; because the question of compulsory purchase does make a difference, of course?—He gave his valuation, I understand, on the land as land, and his valuation was endorsed by the Valuation Commissioners.

1673. Without any reference to the compulsory purchase?—The question of compulsory purchase would not arise, I think, at that time; he had to give the value of the land. The claim for 8,000*l.* was put in on the ground that it was possible building land and it was in consequence of that great variation, the question of its possible building value having been put forward, that compulsory purchase was resorted to; so I presume the original valuation would not have

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been affected by the question of compulsory purchase. The question of compulsory purchase arose afterwards at a later stage, in consequence of the great divergence.

1674. I was only going to suggest you might put in the valuation in justification of this officer whom you defend?—I do not defend him from a technical standpoint, because I know nothing about valuation, but I say the War Department endeavour to get the best expert authority to value, and that his valuation, as I say, was endorsed by the Valuation Commissioners.

1675. I am not at all cavilling at the point of your defending him; no doubt you are right; but in justification of him, would it not be better to put in the valuation or something of that sort?—You mean the actual terms?

1676. As I understand, he said, "You want this piece of land valued, and I value it at 30*l.*" Then afterwards other circumstances arose; there was a claim that the land might be used for building purposes; there was compulsory purchase, and other questions came in that raised the valuation. It looks very bad either for the valuer, or else for the War Office in accepting such an extraordinary figure?—The question of compulsory purchase arose because of the preposterously large claim of 8,000*l.*, which was put in by the owner of the land. That is what led to the compulsory purchase.

1677. I am not dealing with any preposterous claim put in by the owner of the land; he tries to get the best price he can?—That is what led to the compulsory purchase. Therefore the question of compulsory purchase would not arise upon the original valuation.

Mr. *Pym*.

1678. May I ask who appoints these arbitrators? As I understand the case, your valuer puts the value at 30*l.*; the owner puts it at 8,000*l.* Then you say, Now we will find what the proper value is by appointing an arbitrator. Who appoints the arbitrator?—There are two appointed. Each party appoints one.

1679. Are they professional men?—Yes.

1680. They are men who are accustomed to deal with these things?—Yes, they are technical professional men.

1681. Then, as I understand, they could not agree, and you had to resort to an umpire?—Yes.

1682. The umpire was also a professional man?—Yes.

1683. Then the umpire sets the value at 2,387*l.*, which he afterwards modifies to 2,040*l.*?—The reduction was made by the High Court of Justice.

1684. I suppose he gave reasons to the War Office, who wished to purchase this land, in justification of the enormous price he was putting as against the price of 30*l.* placed upon it

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by the valuer?—The umpire appointed under the Defence Act of 1860 awarded 2,387*l.*, and it says in the paper I have here "this included 500*l.* for the land, the balance being in respect of severance, trespass, damage to fishery, etc."

1685. Then there were other questions that arose in connection with it?—Yes.

1686. Which he considered were proper to be considered, and therefore raised the original price stated by the valuer?—Yes

Mr. Goddard.

1687. That brings it to a difference of between 30*l.* and 500*l.* for the land?—Yes.

Mr. Cohen.

1688. When you say you took the best man available, it appears there are similar cases constantly happening. Is there no means available at the War Office to obtain advice which would be more reliable, because these proceedings of arbitration apparently take place every time, and they are expensive also, I suppose?—Yes.

1689. Would not it be possible to get advice which would be nearer the mark than the figure which you got from this valuer of 30*l.* I suppose when you instruct your valuer, you tell him to compute the surrounding circumstances?—Yes; he would take everything into consideration, I presume. I do not know what the exact process is in Ireland. I know this difficulty has arisen, and I have drawn attention to it from the standpoint of the loss which is incurred. I have no doubt the remarks which you have made, and which have been made by the Committee generally to-day, will lead to this matter being looked into, and if anything can be done to lessen the difficulty which frequently arises, I am quite sure it will be done. I again say that as regards the money loss, the money aspect of the case has been raised by me recently, and that in itself will bring about a review of the whole question.

1690. It will be a practical contribution to that end to instruct your own valuer to compute and give credit for the surrounding circumstances, independently of the pure money value of the land?—It would; but I cannot conceive that is not done.

1691. You think the 30*l.*, then, had regard to all the circumstances?—In this particular case I am informed that the whole of the surrounding circumstances were taken into consideration, and the value which was attached to what I might call these outside considerations by our valuer, was endorsed by the Valuation Commissioners; so I should think he would contend he was on perfectly sound ground.

1692. The sum of 30*l.* included all those things?—Yes.

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Sir Brampton Gardon.

1693. Can you tell us what the acreage of the land was?—I cannot tell you straight off.

1694. For what purpose was it wanted—was it absolutely necessary to take that land?—It was for the emplacement of a battery; so that it could not be much land that was required. For a battery it would only require a very small parcel of land; I should think it was probably a question of feet.

1695. Was it absolutely necessary to have land at that point?—I should think so. We would not have gone to all this expense if it had not been necessary for defence work.

Mr. Victor Cavendish.

1696. Without special reference to this immediate case, may I ask, do you see any objection to providing further particulars for the information of Parliament in such cases?—Not the slightest.

1697. You are aware, perhaps, what the practice is in the Navy in similar cases?—I do not know the details exactly. I know generally what they do.

1698. In the Navy they furnish fuller particulars. You see no objection to that being done in the case of the War Office?—None whatever, with this reservation, that sometimes there might be details of a military character, or defence work character, that it would not be desirable to give. Beyond that I cannot see any sort of reason why the fullest possible details should not be given. I take it you mean in explanation of what has taken place—not in advance.

1699. Quite so?—If the information were given in advance it might run the price up. But if the Committee would like to have a memorandum explaining exactly what did take place in this case more fully, I should be perfectly willing to put it in next Friday.

Chairman.

1700. I do not think that is necessary; we understand the case now?—Very well.

HEADS 2 AND 3.

REVISED ESTIMATE AND EXPENDITURE.

Chairman.

1701. (To Mr. Kempe.) Have you received the reply from the War Office which you state in paragraph 7 you were awaiting?—Yes, the figures have been given; they have been checked, and we have found them satisfactory.

1702. You are satisfied?—Yes. (Sir Guy Fleetwood Wilson.) I should like to state in regard to that that the War Office only received the Query from the Audit Office on January 23rd, and the statement was furnished to the Audit Office on February 7th, so that it was not a case of any delay. (Mr. Kempe.) As Sir Guy Fleetwood

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Fleetwood Wilson has said that, might I add I am very sorry that there has apparently been some misunderstanding about the repetition of my statement in various reports as to delay on the part of the War Office in answering my queries. As a matter of fact there are almost always a great number of queries outstanding at the end of the year, and in calling attention to the fact we did not necessarily mean to imply blame to the War Office. It is a convenient way of recording outstanding questions, in order to keep them in view. Perhaps it has not been put in the best possible form, but we have arranged now with the War Office that, in future, we shall have answers to our queries in any case; so that we may put the exact state of the case more clearly. (Sir Guy Fleetwood Wilson.) I am obliged to the Comptroller and Auditor-General.

Sir Brompton Gordon.

1703. (To Sir Guy Fleetwood Wilson.) With regard to Head No. 2, I observe a very large sum was taken for buildings on Salisbury Plain, of which less than a fifth has been expended. Nearly 3,000,000*l.* was taken for buildings on Salisbury Plain when the idea was that it was to be the headquarters of an Army Corps; I suppose that will not be spent now under the revised plans?—Bulford is being suspended. There would be a large suspension in consequence of that.

1704. Would the same apply to Colchester; will all the money taken be expended in that case? I observe less than half has been expended as yet?—We are not in a position yet to answer that question. These areas are not absolutely definitely settled, and I may say also the composition of the Army itself is a little undecided still.

1705. You could not tell us now whether there will be a considerable saving on this Head?—I should be inclined to think what will be saved in one place will be expended in another. We have to house practically the same number of troops whether they go to one place or another. I do not anticipate that there will be a clear saving, as you may call it.

1706. Will there be any saving under Head 1, "Defence Works," in consequence of the recent statement of the First Lord of the Treasury in regard to Home Defence?—I am afraid it is too recent an utterance; I could not answer that at present; it will require very serious consideration. There is no immediate idea of a reduction of expenditure. But obviously the whole question of defensive works will come more or less under review in consequence, possibly, of a change of policy; that I do not know; I cannot go into that.

Mr. Gibson Bowles.

1707. Are we to take it that these large sums are constantly liable to be reallocated to differ-
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ent purposes in consequence of changes of policy?—Estimates for the Stations have not yet been submitted, because the Army Corps policy was changed soon after the Act was passed, so that we shall have a further revision of the figures. In the present state of the Army policy no complete reallocation can be made.

1708. Will you please answer my question first, and then give any explanation you like. What I asked was this: Are we to understand that these large sums are constantly subject to reallocation in consequence of changes in policy?—A distinct change of policy would no doubt necessitate a change of allocation, or, at any rate, might do so.

1709. (To Mr. Kempe.) On page 20 you say that in answer to a request for a scheme you have been informed that, "No schemes of expenditure under Head 2, Barracks, or Head 3, Ranges, of that Act have yet been submitted to the Treasury, as changes of policy subsequent to the passing of the Act will render necessary a reallocation of the amounts provided, authority for which will be sought in due course when the schemes have been worked out." Do you, as an accountant, hold that with respect to these large sums borrowed under the Military Works Acts, the Acts authorise an entire reallocation such as is suggested here, in consequence of change of policy?—I should say that when once the allocation has been declared no change could be made. That I understand to be the reason why there has been a postponement of allocation now, in order that it may not be fixed until the policy is quite settled. When once fixed it cannot be changed.

1710. Do I gather from you that under the Acts there is unlimited power to allocate as long as the allocation has not been put down?—The allocation ought to be made before the expenditure begins.

1711. Taking that statement in line 5 on page 20, that "No schemes of expenditure under Head 2, Barracks, or Head 3, Ranges, of that Act have yet been submitted to the Treasury, as changes of policy subsequent to the passing of the Act will render necessary a reallocation of the amounts provided," do you hold that under the Acts which I am talking of schemes of expenditure should already have been submitted to the Treasury?—Certainly, I should hold that.

1712. (To Mr. Chalmers.) Is that your view?—Certainly, there should be an application to the Treasury; and the Treasury has only within the last few days asked for a statement of exactly what the War Office wishes to do; and we expect to receive a reply to that as soon as the War Office sees its way clearly to give an answer.

1713. (To Mr. Kempe.) When that scheme of expenditure has been provided, you would hold that under the Act there could be no further departure from it?—When the figures have been laid before Parliament they would remain. The position is very much the same as with the

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Votes of Parliament, that is, the grants cannot be altered, but the Treasury have certain powers of sanctioning the application of surpluses to excesses.

1714. (To Sir *Guy Fleetwood Wilson*.) You heard what Mr. Chalmers said just now; will the Treasury be provided shortly with that scheme of expenditure?—That was what I was about to refer to in my answer when I went, so to speak, too fast for you. Estimates for stations have not been submitted to the Treasury, because the Army Corps policy was changed so very soon after the Act was passed, and therefore a further revision of the figures has become necessary. In the present state of Army policy it has not been possible to submit to the Treasury a complete reallocation as yet. But the matter is receiving the closest and most constant attention; and directly it is possible to submit a complete reallocation to the Treasury, it will be submitted to the Treasury. We are fully alive to it.

1715. Do I gather that the Army policy is not yet sufficiently solidified to enable you to frame and submit a scheme of expenditure?—A very small amount of liquid would prevent the whole solidifying, so to speak. We are a long way towards it, but it is not quite complete, I think.

Mr. *Buchanan*.

1716. I do not quite understand under which scheme of distribution all this money has been spent?—There is a Schedule in the Act of 1903, and within that Schedule I think I am right in saying we can make certain changes, with Treasury sanction, of course; and we have done so; we have got Treasury sanction whenever we required it. With regard to the others where we have not got that power within that Schedule, we should require a reallocation Bill, I think.

Mr. *Gibson Bowles*.

1717. Would you?—I think so.

Mr. *Buchanan*.

1718. Let us understand. Under the Act of 1903 the Schedule was altered from the Act of 1901. Then I presume a scheme was submitted to the Treasury for adapting the expenditure under the new Schedule to the expenditure under the old Schedule?—Yes, whatever changes were considered by the Military Authorities, from the Military policy point of view, as essential, we would ask Treasury sanction for, and in so far as we had power to make changes with their sanction we did so.

1719. (To Mr. *Kempe*.) Am I not right in this, that owing to alterations in the Schedule, under the Act of 1903, the expenditure as presented in the accounts, although devoted to the same purposes as under the Act of 1901, had to be adapted to the Schedule of the Act of 1903?—So I understand it. The Act of 1897 was in-

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corporated in the Act of 1903, and the Act of 1897 is very specific indeed. It says: "Before any moneys are issued for the purposes of expenditure under any head in the Schedule to this Act a Secretary of State shall submit to the Treasury an estimate with such details as may be required by the Treasury."

1720. Was there a fresh estimate submitted to the Treasury after the 1903 Act passed to enable the War Office to spend the money according to that Schedule?—Not that I am aware of. That is why I mentioned it here.

1721. Then I should like to ask under what authority has the War Office been spending the money under the Act of 1903 when it had not submitted to the Treasury a scheme in accordance with the Schedule. (To Mr. *Chalmers*.) After the 1903 Act passed, did they submit to the Treasury, for Treasury sanction, a scheme under which they proposed to spend the money?—I have not looked up the matter, but I have not the slightest doubt in my mind that they did; they must have done.

1722. Only so could they legally have spent the money?—The money would not otherwise have been issued. They have first of all to come with a scheme for the way in which they want to use the maximum spending power placed at their disposal. They come for a scheme generally of an annual character, and on the strength of that we agree to the money being issued. Therefore the actual issue of the money does show that a scheme in more or less detail must have come to the Treasury. (Sir *Guy Fleetwood Wilson*.) It certainly would be so.

Mr. *Cohen*.

1723. (To Mr. *Kempe*.) With regard to the absence of a detailed scheme of expenditure, and the difficulties which you have explained you are placed in in consequence, are you going to get that detailed scheme of expenditure?—We shall see it when it is drawn up, no doubt.

1724. (To Sir *Guy Fleetwood Wilson*.) What do you say as to the point that there must be data furnished in order that the Comptroller and Auditor-General may examine into and investigate this matter?—We would submit that scheme to the Treasury directly the Military policy is decided upon: the allocation will go to the Treasury and from the Treasury I presume the Comptroller and Auditor-General would know of it.

1725. I presume that stage has not yet been reached?—That stage cannot be reached till the Military Authorities, the Army Council, have finally decided what they propose to do with the money.

1726. May I take it that the scheme must be carried out, and the system of allocation must be carried out as is prescribed in the present Act, and further legislation must precede any departure from that system of allocation?—I think so

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so. That would be for the Treasury to consider, I think, as to whether Parliament would have to be consulted; I should prefer that you should put the question to Mr. Chalmers.

1727. (To Mr. *Chalmers*.) May we take it that so long as no further legislation takes place the scheme must follow the system of allocation designed by the existing Act of 1903?—That is so; and the legislation which is incorporated in that Act.

1728. And the Treasury would not sanction issues, would they, except in accordance therewith?—We certainly would not exceed our powers.

1729. Is not that the limit of your powers?—Perhaps it would be useful if I explained exactly what does happen. By the Act of 1903 there is re-enacted Sub-section 3 of Section 1 of the Act of 1897, which states as follows:—“There shall be no excess of expenditure under any head in the Schedule above the amount stated therein for that head unless the Treasury and Secretary of State are satisfied that the excess will be compensated by savings on the expenditure under another head.” Then it goes on to limit the total expenditure to the total in the Act. Now, under the Act of 1903 there are, as there always have been, four heads; and so long as the money is applied to purposes coming under each of those heads, there may be an excess on one and a saving on the other, with Treasury sanction.

1730. But subject to those conditions, that is the limit to which the Treasury would sanction any scheme of extension, is it?—That is so.

Mr. *Goddard*.

1731. (To Mr. *Kempe*.) I rather think the answer of Mr. Chalmers has cleared up the point which was in my mind, but it appeared to me that the answer that was given by you would lead to a little misunderstanding. Did I understand you to say point blank that once there had been an allocation there can be no change?—That is so.

1732. I now gather from the answer of Mr. Chalmers that within those four heads there may be a change, which is limited by the Act. Is that so?—The Treasury have the power to sanction the application of surpluses to excesses, as in the case of Votes of Parliament, but the allocation remains.

Mr. *Buchanan*.

1733. (To Mr. *Chalmers*.) With regard to your last statement, surely the provision in the Act of 1897, which provides that the Secretary of State shall submit to the Treasury an estimate of such details as may be required by the Treasury of the expenditure under the several heads, includes, does it not, the separate items under the various heads, with the maximum expenditure under the separate items for which they obtain Treasury sanction?—I am no lawyer, but I think that is not the case with O.3.

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regard to the Schedule in the Act of 1903; but it would have been the case in past years, I believe.

1734. I have the Act of 1903 here, and, as you say, there are no doubt four heads, one head embracing a sum of no less than 13½ millions of money. But it has a variety of sub-heads, and I want to know whether the Treasury accept from the Secretary of State for War an estimate which should include details, but which does not give details for the separate objects of expenditure under the several heads?—That is not so. The Treasury does have particulars of expenditure within the limits of the Schedule divided into sub-heads. The Treasury has that information, and it is summarised, for instance, in Paper No. 2,255 last year, which indicated what the expenditure was by heads. The honourable Member's question was, do we have the information by sub-heads, and my answer is, we do.

1735. It was supposed to be the security which the House of Commons had when they passed the Bill, which had only four heads, embracing a large sum of money; and we were told that the Act provided that no expenditure could take place until the Secretary of State had submitted a detailed estimate of expenditure under the several heads to the Treasury, and had obtained their sanction. Do I understand from you, taking Head 2, for instance, which is a big one, that an estimate is merely submitted to you of the total expenditure under that head, and that you are not told what is going to be spent in Edinburgh, what in Dover, and what elsewhere?—We get the information as regards districts in the main. I am not at the moment able to say without looking at my papers whether within a district the Treasury gets information as to every particular work. The Act, I may say, was expressly passed in order to get rid of certain difficulties which had arisen under the 1901 Act. The Schedule there was so precise that there was no power in any way of altering any expenditure that the War Office wanted to make, and was justified in making. I will give the honourable Member a case in my memory as to that. There were two adjoining villages, and the Act provided for putting up barracks in one of them. The War Office decided they would go over the boundary a distance of a couple of hundred yards. The Treasury said, “Can you do so?” and when we went to the Law Officers, it was found they could not do so under the 1901 Act. The 1903 Act was intentionally framed in order to give certain further latitude.

Mr. *Gibson Bowles*.

1736. (To Mr. *Kempe*.) Am I right in my belief that the Treasury has no power to issue money under this Act to be expended under any head in the Schedule of the Act until they have received a detailed estimate showing the expenditure which is to be incurred for the time being covered by that estimate?—So I understand it.

1737. Is that the law?—I should say so. (Mr. Chalmers)

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Chalmers.) May I say that the words of sub-section 2, section 1, of the Act of 1897, are: "An Estimate with such details as may be required by the Treasury."

1738. I was assuming for the moment that any details that were necessary would be required by the Treasury; is that so?—Quite so. I was trying to make the point quite clear.

1739. I think it is quite clear, is it not, that the details are such details as would be required by the Treasury?—Yes.

1740. I assume that all the details that would be necessary would be required by the Treasury; but without an estimate of the total expenditure covering the time in which the expenditure was to be made, would the Treasury have any power to issue the money?—It certainly would not issue the money.

Mr. *Buchanan.*

1741. Then do I understand from that that the Treasury, with regard to Items 2 and 3, before consenting to allow the issue of money under one of these Acts, would insist upon going into considerable detail into the question of the arrangements of the barracks upon which it was proposed to expend the money?—We know the proposals in considerable detail. The honourable Member will remember we do not begin with an Act, we begin with a Bill; and in connection with the Bill we know in very considerable detail indeed the proposals of the War Office. Then when the Bill becomes an Act, as the 1903 Bill did, the Treasury, in subsequently sanctioning an issue of money, is concerned less with the detail of expenditure; whether it is Dover or Shorncliffe, for instance. The Treasury knows there was a whole scheme sanctioned, that money has been provided for that whole scheme, and it finds out what is the instalment of that expenditure which the War Office can properly and reasonably carry out in the year in respect of which it wants an issue, or the quarter in respect of which it wants an issue. It is a question rather of not giving them too large a balance. The estimate is shown in detail not so great as that which leads up to the Bill, but still in greater detail than is shown in the Schedule to the Military Works Act of 1903.

1742. But surely if it were not for the controlling power of the Treasury requiring this detailed estimate from the Secretary of State for War, according to the letter of the Act, the Secretary of State for War might have almost unlimited power in spending under these large items. That is to say, our only security rests in the Treasury as to the purposes for which these large sums shall be expended, does it not?—There is the Audit Office.

1743. (To Mr. *Kempe.*) You have to work on the detailed estimate which has been submitted to the Treasury?—Yes.

1744. (To Mr. *Chalmers.*) Then we fall back, I am afraid, on the Treasury, do we not. We want to get at what amount of detail you insist

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penditure—*continued.*Mr. *Buchanan*—*continued.*

on having from the War Office as regards the estimates of expenditure they submit to you under certain heads, and what kinds of detail they are?—I think the honourable Member may take it that we require very considerable detail indeed before we sanction a work, but the actual issue is a very minor and subsidiary thing altogether. The whole scheme of expenditure, with which the Comptroller and Auditor-General is entirely familiar under the Act, is the dominant thing, not the amount of the issues which are required to carry on a given instalment for a given time.

1745. But you see in the immediately succeeding parts of this paragraph the Comptroller and Auditor-General complains directly of sums that have been spent on barracks in South Africa. Was that a detailed scheme duly submitted?—Taking that very case, we had a detailed estimate of what the War Office proposed to spend on different works at different places in South Africa, amounting ultimately to a sum in all of over 2,000,000*l.* We had very ample detail indeed, and that was the basis on which the item was inserted in the Bill, and subsequently became an Act. I believe I am right in saying that that information was known to the Comptroller and Auditor-General.

1746. But was there a detailed scheme sanctioned by you after the Act was passed?—No, that was the detailed scheme which we sanctioned before the item was included in the Bill which afterwards became an Act. I think I am right in saying that the Comptroller and Auditor-General was aware of that detailed estimate.

1747. (To Mr. *Kempe.*) Were you aware of that?—We may have seen it, but that was not the authoritative document.

1748. (To Mr. *Chalmers.*) But after the Bill became an Act, did not the Act require that before any money could be issued for this South African expenditure, a detailed scheme should be submitted by the War Office to you and receive your sanction?—The Act of 1897 says: "With such details as may be required by the Treasury." The Treasury knew they were working up to 2,000,000*l.*, and the Treasury knew the details which worked up to those 2,000,000*l.* The Treasury did not, as a matter of fact, speaking as to that particular case, have any specific details as to how much they were spending at Pretoria or how much at Pietersburg, and so forth, before making the issues. The Treasury did know how much they thought of spending in South Africa as a whole, and as a whole meant to us the construction of works representing all the details which had been before us before the item was approved by us to go into the Bill of 1903.

1749. But still the Comptroller and Auditor-General is correct, is he not, in saying in this paragraph, that no detailed scheme of this expenditure in South Africa had been approved of by the Treasury before the money was issued?—It had been approved of as a whole to the extent of

THIS VOLUME IS TIGHTLY BOUND

19 May 1904.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

MILITARY WORKS ACTS, 1897, 1899, 1901 AND
1903.MILITARY WORKS ACTS, 1897, 1899, 1901 AND
1903Heads 2 and 3.—Revised Estimates and Ex-
penditure—*continued.*Heads 2 and 3.—Revised Estimates and Ex-
penditure—*continued.*Mr. *Buchanan*—*continued.*

of the total; but as regards a given year's expenditure and issue the Comptroller and Auditor-General is, of course, quite right.

1750. But the Act of 1897, the specific Act says, does it not, "Before any moneys are issued" "a Secretary of State shall submit to the Treasury an estimate with such details as may be required by the Treasury of the expenditure under that head for which it is for the time being proposed to issue money"?—And the point is simply one whether the Treasury, which knew the total expenditure and the whole scheme, ought, for any given quarter, to have asked for precise details as to whether the money was to be expended. The Treasury did not.

1751. Surely the Act requires, does it not, the submission of an estimate and sanction given to that estimate by the Treasury, before the money is issued for the purpose?—"With such details as may be required by the Treasury."

1752. Did you require no details?—No, we did not, for the reason that we were not so much interested in taking the work in South Africa in pieces; we regarded it as a whole, and we knew beforehand what that whole did consist of in very full detail, before the amount was put into the 1903 Bill.

1753. (To Mr. *Kempe*.) Do you think that is a satisfactory interpretation of the clause in the Act of 1897, and justifies the expenditure of the money?—The War Office were in a difficulty, no doubt. We had the expenditure up to 1,400,000*l.* in detail before the Act was passed, as Mr. Chalmers said, and there was only a comparatively small addition afterwards; there was 400,000*l.* for married quarters and 200,000*l.* for accessories. So that we had those particulars before us; but we had not the particulars in the formal manner required by the Act; and as I understand it, the War Office themselves intended to submit a further scheme.

Mr. *Gibson Bowles*.

1754. Is there to be a further scheme submitted?—Yes.

Sir *Robert Mowbray*.

1755. (To Mr. *Chalmers*.) Could you produce the communication from the War Office, to which the authority with the Treasury Letter of 31st March, 1903, was an answer? I presume that the Treasury Letter was issued in reply to some application from the War Office?—Yes.

1756. I am referring to the Treasury Letter of the 31st March, 1903, which is referred to by the Comptroller and Auditor-General in his Report; and what I want to know is, whether you can give us the communication from the War Office to which I presume that letter was an answer?—We can furnish you with the correspondence, certainly.

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Sir *Robert Mowbray*—*continued.*

1757. The War Office were bound to make some application, I suppose, were they not?—Yes, they made a long application, if that is the point of the honourable member. The statement was a very long and detailed statement, with a careful estimate which was the subject of semi-official communications and meetings. We have the full details here.

1758. Would you put in both the statement and the Treasury Letter; because the Report of the Comptroller and Auditor-General suggests that the application was not made before the Treasury granted authority and issued the money?—I do not think the Comptroller and Auditor-General would press that, because we issued the money under the 1903 Act, and it was not until 1903 that this South African item was mentioned.

1759. It certainly is stated in the Report that a complete detailed scheme will be submitted to the Treasury in due course, and the point is, is it not, whether it was in fact submitted before, or whether it would be submitted afterwards?—Certainly we had regarded it as having been submitted before the Bill in adequate detail.

SALE OF BUILDINGS.

Chairman.

1760. (To Mr. *Chalmers*.) Will you give us your opinion as to whether this sum of 11,942*l.* 6*s.* 11*d.*, mentioned in paragraph 9, which was for the sale of the barracks at Pietersburg, was legitimately applied for the purposes of the Act, inasmuch as it was money raised out of the loans?—The War Office wrote to the Treasury, on the 6th instant, on the subject of the sale to the South African Constabulary of these huts, or rather part of these huts, at Pietersburg, and in that letter the War Office states that these actual huts sold at Pietersburg were erected before the Act of 1903 was passed, and therefore, I presume, paid for out of the votes.

1761. (To Mr. *Kempe*.) Are you satisfied with that?—We have had that answer from the War Office, and have accepted it.

Mr. *Gibson Bowles*.

1762. What made you say that these buildings appear to have been erected out of moneys provided by the 1903 Act?—The buildings were erected before the passing of the Act, and therefore they were existing buildings; but a part of the charge was made to the loan under the Act.

1763. I am afraid I did not quite make myself intelligible. You state that "these buildings appear to have been erected out of moneys provided in the 1903 Act." What makes it so appear?—Because there was some money charged to the loan, and we supposed the whole was charged.

1764. Are

19 May 1905.] Mr CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir G. D. A. F. WILSON, C.B.

[Continued.]

MILITARY WORKS ACTS, 1897, 1899, 1901, AND
1903.

Sale of Buildings—*continued.*

Chairman.

1764. Are you now satisfied that they were, in fact, built before?—(Sir Guy Fleetwood Wilson.) We sent out specially to South Africa to ascertain.

1765. (To Mr. Chalmers.) Have you given sanction to the sale of premises to the South African Constabulary for the sum of 6,200*l.*, as mentioned in the last paragraph of paragraph 9?—No, the War Office stated that they were writing to South Africa to find out the basis of the sale price, and they were also, at our instance, writing to South Africa to find out whether any other huts had been sold. The War Office therefore stated that a report would be forthcoming in due course, and the Treasury said that until they knew the facts about it they were not in a position to express any opinion on the transaction.

1766. Will it be submitted to you when they receive the reply?—Yes, and therefore will come under the cognisance of the Comptroller and Auditor-General.

Mr. Buchanan.

1767. The paragraph in the Act of 1903 says that they may take credit for moneys realised by the sale of any existing barracks that might become unnecessary in consequence of works constructed under the 1903 Act. Do I understand that these Pietersburg huts were partly paid for under the 1903 Act, and then that you take credit for their sale?—Not at all. As stated to the Treasury by the War Office, there is no question that (I am quoting the words of the War Office letter) all the buildings sold at Pietersburg were erected before the Act of 1903 was passed. I therefore assume that they have been paid for entirely out of funds other than funds provided by the Act of 1903. If that be so, they would be existing buildings, and would properly then come under the Act 3 Edward VII., chap. 29, as being existing barracks which become unnecessary in consequence of the works built under the 1903 Act.

1768. (To Mr. Kempe.) Do I understand that they were partially paid for out of the funds provided by the 1903 Act?—Yes, that is so; they were existing buildings, but they were partially paid for after the passing of the Act.

1769. (To Sir Guy Fleetwood Wilson.) Can you tell us to what extent?—I cannot give you the exact figure now, but I think any loan money was out of the 1897 Loan, which may have been used for these specific huts.

1770. There is no provision in the 1897 Act, is there?—Yes, there is a provision.

1771. Were these buildings ever completed?—I believe so.

1772. When—how long ago?—I think it was about the beginning of 1902.

1773. Have they ever been occupied; can they ever have been described as “existing”

MILITARY WORKS ACTS, 1897, 1899, 1901, AND
1903.

Sale of Buildings—*continued.*

Mr. Buchanan—continued.

barracks?—Yes; I do not think there is any question as regards that; at any rate, they were perfectly ready for occupation. There was a sum in the 1897 Act, and I am under the impression that is what was used for these huts. I do not like to put myself in opposition to the Comptroller and Auditor-General, because he knows more about it than I do; but I do not think we had any 1903 money in regard to this matter at all.

1774. Am I right in assuming that these buildings were in course of construction or just finished for the hutment of our troops there, and at the moment they were finished, and before they were paid for, they were sold, and the money applied for the purpose of erecting other buildings?—They ceased to be of use in the particular locality in consequence of a readjustment of garrison; consequently they became a surplus to our requirements and were sold. But they were completed before the 1903 Loan.

EXPENDITURE IN NATAL NOT SANCTIONED BY
TREASURY.

Chairman.

1775. (To Sir Guy Fleetwood Wilson.) With regard to paragraph 10, will you explain why this amount of 6,831*l.* 9*s.* 7*d.* in respect of certain works expenditure in Natal has been included in the item “Transvaal and Orange River Colony”?—The Finance Branch raised that point, and the explanation from the local military authorities is that the charges could fairly be taken as pertaining to those Colonies, because they were in respect of a remount depôt and a veterinary hospital on the Modder River, entirely for the use of the garrison in the Colonies.

MIDDELBURG FARMS.

1776. With regard to paragraph 11, surely the salary of the manager of the Middelburg Farms ought not to be charged on the Military Works Loan, ought it?—We are going to recover the whole of it. The farms are intended to be self-supporting, and these charges should not stand, I think, against either votes or loan; so that we are going to recover the whole amount.

Mr. Gibson Bowles.

1777. You say you “are going to.” Are you sure you will?—We are going to try; I am not sure we have not already got it.

Chairman.

1778. From whom?—From the proceeds of the farms.

1779 (To

19 May 1905]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Sir G. D. A. F. WILSON, C.B., and Mr. DONALDSON, M.I.C.E.

[Continued.]

MILITARY WORKS ACTS, 1897, 1899, 1901, AND
1901.

Middelburg Farms—*continued.*

Mr. Buchanan.

1779. (To Mr. *Chalmers.*) Did the Treasury give sanction for the issue of the money for this purpose?—I have no acquaintance with the subject. I believe no application has been made to the Treasury.

1780. That is to say, it was not one of the details which were submitted to the Treasury by the War Office when they asked for authority to spend money under this particular sub-head?—It certainly was not then. (Sir *Guy Fleetwood Wilson.*) This we admit was improperly charged, and we are going to recover the money. It was locally improperly charged, and we are going to get it back.

1781-2. (To Mr. *Kempe.*) Have you received a reply to your queries on the subject?—Yes, the answer was that Treasury sanction is not necessary, because there will be no expense thrown on the Army Vote; the farms seem to be paying their way.

1783. But the money was actually issued without Treasury sanction, was it not?—Yes.

1784. That surely is irregular, is it not?—Yes.

Sir Robert Mowbray.

1785. (To Sir *Guy Fleetwood Wilson.*) What was the amount advanced which is objected to?—It is a very small sum; 900*l.* covers the whole thing. It was a local advance made under a misapprehension and a mistake, and we shall get the money back.

REPROVISION OF ACCOMMODATION HANDED OVER
BY THE WAR DEPARTMENT TO THE ADMIRALTY.

Chairman.

1786. (To Mr. *Kempe.*) Have you received

MILITARY WORKS ACTS, 1897, 1899, 1901, AND
1903.

Reprovision of Accommodation handed over
by the War Department to the Admiralty—
continued.

Chairman—*continued.*

any reply to your application to the Treasury with regard to the charge of the balance in this Account referred to in paragraph 12?—Yes, we have received a reply.

1787. Is it satisfactory to you?—Yes, the Treasury have given their sanction.

CONNELMORE BRICKFIELDS.

Chairman.

1788. (To Sir *Guy Fleetwood Wilson.*) As regards paragraph 13, I think we have discussed this matter before, have we not?—Yes, we went into it fully last year.

Sir Frederick Banbury.

1789. How does that come under "Loan Funds"?—Bricks made in the brickfields are used in buildings under the Loan, so that it is part and parcel of it.

1790. Then I see a statement is made to the effect that the manager of the Connelmore Brickfields is remunerated for his services by a payment to him of 5*d.* per thousand on the bricks made, together with a commission of 2½ per cent. on his expenditure. Do you think that is a good way of remuneration?—I think I indicated last year that the whole thing was, perhaps, not very happily started, but it is impossible to stop it; and until the bricks are exhausted I think it is hardly worth while attempting to do so; it will die a natural death either that way, or by the buildings being completed; and I do not think it is worth while to try and upset the arrangement, although I do not attempt to defend it. It has been going on for some time.

ARMY (ORDNANCE FACTORIES) APPROPRIATION ACCOUNT, 1903-4.

Mr. H. F. DONALDSON, M.I.C.E., called in; and Examined.

OUTCOME OF APPROPRIATION ACCOUNT (PAGE 2).

Chairman.

1791. There was a question raised last year, as to adding 29,738*l.* to the Suspense Account, which was done, making the balance on March 31st, 1903, 54,530*l.* 10*s.* 7*d.*?—Yes.

1792. Next year, will the balance which you will begin with be 51,311*l.* 2*s.* 3*d.*?—Yes, I think that is the correct figure.

1793. Because 65,000*l.* you have not drawn from the Exchequer, have you?—That is so.

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STATEMENT OF INCOMINGS AND OUTGOINGS IN
RESPECT OF CAPITAL.

Chairman.

1794. The item "Special plant for New Rifle," which stood at 24,340*l.*, you have now increased by 30,616*l.* 1*s.* 11*d.*; but that total cannot be paid for by merely charging 8*s.* on each of the rifles, can it?—Not 8*s.* on the 100,000, but 8*s.* a rifle till it is recovered.

1795. Shall you issue enough rifles to recover the whole sum?—I think this year there has
R been

19 May 1905.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Sir G. D. A. F. WILSON, C.B., and Mr. DONALDSON, M.I.C.E.

[Continued.]

ARMY (ORDNANCE FACTORIES) APPROPRIATION
ACCOUNT, 1903-4.Statement of Incomings and Outgoings in
respect of Capital—*continued*.*Chairman*—continued.

been an alteration in the 8s., but I think we shall practically recover the whole sum, except about 5,500*l.* or thereabouts.

1796. Do you know what sum you mean to charge on the rifles?—Half-a-crown.

1797. But you were going to charge 8s., were you not?—Yes, and having recovered 43,766*l.*, the balance is to be recovered, I think, at half-a-crown a rifle, spreading it over a greater number of rifles.

1798. A very much greater number, is it not?—It is with Treasury sanction.

1799. Do you mean to charge only half-a-crown a rifle?—That is all.

Mr. Goddard.

1800. (To Mr. Chalmers.) Can you explain the reason of that. Why have you consented to the reduction from 8s. to 2s. 6*d.*?—It is a question entirely of the number of years over which you spread the repayment of what is a capital charge. You can put it on to a single rifle if you like, and make the price of that rifle very enormous. It was represented to the Treasury by the War Office on the 28th of March last that the charge was so considerable in the year that it had an effect on other matters, and that it would be on the whole more equitable to distribute the charge over a longer period (*i.e.* an extra year) than had been originally intended, and the Treasury thought that was right.

1801. Of course, that was done with the object of reducing the annual Army charge. You had fixed, after consideration, on the sum of 8s. per rifle, and when you have paid off the capital charge to a certain extent, you are extending it over a further number of years, are you not, by reducing the payment to 2s. 6*d.*?—That enabled the Army, out of the same amount of expenditure from War Office Votes, to get more rifles.

1802. It enabled the Army Account to show a reduction of payment every year I suppose, you mean?—No; the more you reduce the 8s. the more rifles on the total order you are able to get for the same money.

1803. But surely once the capital charge is paid off you can go on producing as many rifles as you like, can you not?—Yes, but I am dealing with the period when the capital charge is being paid off.

1804. (To Mr. Donaldson.) When this capital charge was incurred, you fixed a certain number of years, did you not, for the repayment of that capital charge?—A certain number of rifles.

1805. I do not see any object in altering it, because once the capital charge is paid, it does not prevent your producing rifles at a cheaper rate, does it?—If you have a capital charge of 8s. it stands to reason you get fewer rifles. If your attention is drawn to the fact that there is an inequitable burden placed on the production of a given year, it is a proper thing for the Auditor to represent and a proper thing for the

ARMY (ORDNANCE FACTORIES) APPROPRIATION
ACCOUNT, 1903-4.Statement of Incomings and Outgoings in
respect of Capital—*continued*.*Mr. Goddard*—continued.

Treasury to sanction that there should be an extension of the period over which the expenditure is spread.

EXPENDITURE IN ANTICIPATION OF VOTE.

Mr. Gibson Bowles.

1806. (To Mr. Chalmers.) Has your attention been called to the fact that an irregularity has occurred again with regard to this Vote in incurring expenditure in anticipation of the Vote of Parliament?—Yes.

1807. Have you any suggestion yourself to make which might avoid this irregularity in future?—The decision rests with a power so much higher than myself that perhaps the honourable Member would not press me for a solution of it.

Chairman.

1808. (To Sir Guy Fleetwood Wilson.) This matter was discussed last year, I think, was it not?—Yes, it was raised last year.

1809. (To Mr. Donaldson.) There is no reason for the decrease of Stores in stock except the non-delivery by contractors, is there?—No, none at all.

Mr. Cohen.

1810. Is any penalty exacted for default on the part of contractors?—I think I may say in some cases, no; but in a very great majority, yes.

1811. And it is actually levied, is it?—It is actually levied; not universally. Each case is considered on its merits.

1811*. And sometimes are they released?—Yes, sometimes.

ANNUAL ACCOUNTS OF THE ORDNANCE FACTORIES.

CHARGES FOR DEPRECIATION OF UNUSED PLANT.

Chairman.

1812. (To Mr. Donaldson.) Is the Note at the beginning of the Accounts that rent of land and interest on capital are not included in the cost of production made with the view of showing a comparison between the prices in the Accounts and the prices in the trade?—Yes, I think that was the origin of it.

1813. Is it the fact that machinery and buildings have been set up with a view of using them on an emergency?—Yes.

1814. Do you desire that these charges and the cost of the care and custody of Imperial Stock should not be included?—I think they should not be levied on the production for the year.

19 May 1905.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Sir G. D. A. F. WILSON, C.B., and Mr. DONALDSON, M.I.C.E.

[Continued.]

ARMY (ORDNANCE FACTORIES) APPROPRIATION
ACCOUNT, 1903-1904.Annual Accounts of the Ordnance Factories—
*continued.*Charges for Depreciation of Unused Plants—
*continued.**Chairman—continued.*

of a year, especially if that year is slack with regard to work.

1815. (To Sir *Guy Fleetwood Wilson*.) Has a reply now been sent with regard to this point raised by the Comptroller and Auditor-General as to which he says he had not received a reply at the time of the Report?—A reply has been sent.

1816. And I suppose you have no objection to these charges being excluded?—We have no objection to a note being added to explain the matter.

DETAILED TEST OF ACCOUNTS 1903-4.

1817. (To Mr. *Kempe*.) With regard to the second paragraph we understood from your predecessor that an examination of one week's records was, as far as he knew, sufficient; and that it was rather a waste of time and labour to make it two weeks. Do you say that the errors which were disclosed were of small importance; do you think it is of any use to have a two instead of one week's examination?—We are considering that question in connection with some other audit matters.

VALUE OF OUTPUT.

1818. (To Mr. *Donaldson*.) The reduction in the value of output for the year 1903-4 is due, I suppose, to peace time?—To shortness of orders; that is only another way of putting it.

MACHINERY CHARGES.

1819. I do not quite understand paragraph 5 in regard to "the new system of distributing Machinery Charges by means of percentages on the wages of the men working at the machines." What does that mean?—Every job that is done on a machine has automatically recorded against it with a man's wages the charge for the use of the machine, and by calculation the charge for the power which drives that machine, and the proportion of maintenance or upkeep of the machine. Certain calculations have been made, so that now in the Gun Factory, in the Laboratory and in the Carriage Departments, every machine bearing its number also bears what you may call a machine-value, which follows the rate of the wages paid to the men, and is therefore booked at once against the job which is done on that machine.

1819*. You have tried that in the gun factory, have you?—It is now working in all the three Departments at Woolwich.

O.3.

ARMY (ORDNANCE FACTORIES) APPROPRIATION
ACCOUNT, 1903-1904.Machinery Charges—*continued.**Mr. Pym.*

1820. The object, I suppose, is to find out whether you have got out of the machine the value of it?—The object is to get at the true cost of your work, to get the distribution of the machinery charges on to the work which uses machinery for its production.

1821. Is there any estimate arrived at as to the waste as well as the use of the machine?—That comes in under maintenance. There is depreciation, power, and maintenance.

1822. You take depreciation into account, do you?—Yes.

Mr. Goddard.

1823. Is there anything allowed for repayment of capital?—That goes to form our working fund, so to speak.

1824. You include it in maintenance, do you?—Yes, we have two separate accounts.

1825. Do you maintain the machine instead of repaying its cost?—We maintain the machine, and we write off from the value 10 per cent. each year.

CAPITAL ACCOUNT.

Chairman.

1826. (To Mr. *Kempe*.) In regard to paragraph 6, I suppose you will alter this paragraph next year, in view of the explanation we have had to-day?—Yes.

STOCKTAKING.

Chairman.

1827. (To Mr. *Donaldson*.) The deficiency mentioned in paragraph 7 of 60*l.* is on a very large sum; is it not; it is a very trifling deficiency?—The amount of timber we have used is upwards of 110,000*l.* worth.

1828. You have not made any alteration in the stacking of the timber, have you?—Not since last year. I think, even so, the discrepancy of 60*l.* really should be 40*l.*, because we had some surpluses which are taken on charge at once and not credited against the losses; so that really the difference is only about 40*l.*

BALANCE SHEET.

Mr. Cohen.

1829. In paragraph 8, the Comptroller and Auditor-General calls attention to an obvious improvement in the account. With regard to the forgings which are rejected, and which are a liability on the part of the contractors, do you recover from them any loss?—We do not pay them until we get the stuff. They have to replace defective material or they do not get paid. We do not pay until we get possession of satisfactory stuff, according to tests, but even so manufacturers are liable to be called on to replace if their material develops faults during manufacture in the Ordnance Factories.

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1830. (To

Friday, 26th May 1905.

MEMBERS PRESENT.

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.

Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in;
and Examined.

Chairman.

1830. (To Mr. *Chalmers*.) I believe you have some letters you promised to hand in, in regard to a question put by Sir Robert Mowbray at the last sitting?—Yes, concerning the South African Barracks.

Sir Robert Mowbray.

1831. That is concerning the estimate furnished by the War Office?—Yes; I will hand in the correspondence. (*The correspondence was handed in—vide Appendix.*)

Mr. Buchanan.

1832. (To Mr. *Chalmers*.) I observe in the last Treasury letter in this correspondence which you have handed in, dated July 29th, 1903, it says: "My Lords note that steps are being taken to furnish this Board with the information requested in my letter of the 15th inst., and they desire me to express again their earnest hope that the present Bill will practically close the War Office demands on the Exchequer for Loan

Mr. Buchanan—continued.

services. Their Lordships understand that the five millions in the Bill will complete for practical purposes the housing of the combatant forces; if so, Accessories and the housing of departments, etc., might well be left to be provided from Army Vote 10." Have the Treasury received any answer from the War Office to that letter?—The subject is still under consideration; but the view expressed in the Treasury letter remains the Treasury view.

1833. And they have no reason to believe that the War Office does not accept their view?—No.

1834. Their view is expressed in a previous letter of July 15, that the Treasury desire that there shall be an assurance from the War Office, that no new items will be admitted into the Military Works Loans Bills after 1903, just as a promise to the same effect has been given for Naval Works by the Admiralty?—We have every hope that that view will commend itself to the War Office, as to the Treasury.

1835. That is clearly the Treasury view?—That is so.

Friday, 2nd June 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Cameron Corbett.

Mr. Goddard.
Sir Brampton Gurdon.
Sir Arthur Hayter.
Sir Robert Mowbray.
Mr. Pym.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., and Mr. WILLIAM BLAIN, called in ;
and Examined.

REVENUE DEPARTMENTS.

ON VOTE 1.

CUSTOMS.

Mr. C. NEVILLE POTTER, called in ; and Examined.

Chairman.

1836. You are Assistant Accountant and Comptroller-General, and therefore responsible for this Vote?—Yes. The Accountant and Comptroller-General, being ill, is not able to be here to-day.

1837. In regard to the expenditure on this Vote, the principal change appears to be in the saving upon salaries under Sub-head B1, in consequence of the abolition of the Grain Duties?—That is so.

1838. When a tax is abolished, do you immediately reduce the number of officers?—We do our best to reduce the number. In a small Department you cannot always do so ; in a large Department it is always done ; steps are at once taken to reduce the staff to a workable staff.

1839. I suppose you cannot always get rid at once of the man you do not require by the change?—No, but when vacancies occur, promotions are stopped.

Sir Brampton Gurdon.

1840. It is done, I suppose, by not filling up vacancies?—By not filling up vacancies.

Chairman.

1841. I observe you have a new Sub-head, which seems a very reasonable one, namely, Sub-head F 2, "Loss by default, fraud, or accident"?—That is so.

1842. That seems a great improvement upon placing it where it was before, under Sub-head B?—Yes ; no doubt that is so.

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Chairman—continued.

1843. With regard to paragraph 6 in the Comptroller and Auditor-General's Report, it appears that there has been embezzlement going on—that is not, I imagine, yet settled?—It is not quite settled yet. Of course, I am here to answer any questions you may ask, but I think it would be rather inexpedient to go into it in any detail now.

1844. We shall hear about it later on?—I think it would be much better if it were dealt with later on.

Sir Robert Mowbray.

1845. Is this embezzlement the same case as is referred to under Sub-head E 2, where the explanatory note speaks of "the charges in connection with the prosecution of the late Superintendent of Customs at Sligo for embezzlement of Crown moneys"?—Yes, that is the same case—what was called the Sligo case. That item includes a sum of 33*l.* 12*s.* which has been paid on account of the prosecution of Mr. Banks at Sligo.

Mr. Gibson Bowles.

1846. Did you get anything out of your prosecution?—Yes, there will be a good deal got out of it.

1847. Is the matter still *sub judice*?—Yes.

1848. May I ask you a question on the subject which

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Mr. Goddard.

which the Chairman was alluding to just now, namely the excess on Sub-head B 1 of 12,388*l.* which is said to be due "to a reduction in the number of officers consequent on the abolition of the Grain Duties." That 12,388*l.* is made up of several items, I understand?—Yes.

1849. Therefore the excess which is due to the abolition of the Grain Duties is nothing like the whole 12,000*l.*—it is about 8,000*l.*, is it not?—It is a portion of the 12,000*l.*; I cannot at the moment say how much.

1850. It is not much more than two-thirds of the total amount, I suppose?—Something about that.

1851. I notice, in 1902-3, when the Grain Duties were imposed, there was Supplementary Estimate granted for this Service amounting to 22,000*l.* to cover the expenses of the Grain Duties, and that was for part of the year only, I think; but now they are taken off, instead of saving anything like 22,000*l.* we do not even save 12,000*l.*, but only something like 8,000*l.*?—May I suggest that we have had the supervision of the Sugar Refiners added since then.

1852. But there are other increases on account of the Sugar Duties. This 22,000*l.* was put on especially and entirely on account of the Grain Duties, as I understand?—I am not prepared to admit or deny that figure. If you say so, I presume it is so.

1853. I only go by the Estimate of 1902-3; there was then a Supplementary Estimate taken for 22,000*l.* to cover the expenses of the Grain Duties for part of the year only. Has the imposition of those duties really resulted in a permanent addition to the expense of the Department?—I see in the year 1900 the cost of the whole Establishments was 703,000*l.*; to March 31, 1901, it was 698,000*l.*; then it jumped up again in 1902 (I suppose on account of the Sugar Duties) to 739,000*l.*

1854. Have you not got there the Supplementary Estimate that I am referring to?—No, I have not.

1855. The point I want to arrive at is this: I want to know if the imposition of these duties has resulted in a permanent addition to the expense of the Department?—I do not think so. What I mean is that the excess that was put on for the Grain Duties has been saved since. 11,000*l.* was the amount added on for the Grain Duties. I see in the Estimates I have before me that the Estimate for B 1 is 659,000*l.*, as against 660,000*l.*, which amount includes a Supplementary Vote of 11,000*l.*, shown in italics as directed by the Treasury.

1856. What year was that?—1903-4.

1857. I am speaking of 1902-3, when there was a Supplementary Estimate of 22,000*l.*?—That Supplementary Estimate of 22,000*l.* in 1902-3 was spread over various Sub-heads; it did not only refer to Sub-head B 1.

1858. I believe it was stated to be on account of the Grain Duties?—It fell on other Sub-heads as well as B 1. The excess on Sub-head B 1 "Salaries and Allowances" was 11,000*l.*

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On Vote 1.—Customs—continued.

Mr. Goddard—continued.

1859. The Supplementary Estimate of 11,000*l.* is in the following year, not the year I am alluding to; you are quoting the Estimates for 1903-4, are you not?—Yes, but that figure incorporates and continues the supplementary estimate of the year 1902-3, which was 11,000*l.* only on the Sub-Head B 1.

1860. I am speaking of the Supplementary Estimate in 1902-3?—Yes; I am afraid I have not got that here.

1861. Do you say, then, that the permanent establishment has not been increased?—In regard to the Grain Duties the permanent establishment has not been increased; there has been a corresponding diminution.

1862. Has this saving in regard to the reduction of officers all been taken off now? I understood you to say in answer to a question just now that it would have to come off by degrees?—It is three years ago, and I should think there is nobody now who was supplemented owing to the Grain Duties coming off. All the redundant staff are no doubt taken up since then.

1863. I will not pursue that further. Now, in reference to Sub-head A 2, "Travelling and Subsistence Allowances and Incidental Expenses," the vote is 1,200*l.*, the expenditure 1,042*l.* 19*s.*, and there is a surplus of 157*l.* 1*s.* There is a note which states that "With the completion of the labours of the Inter-Departmental Committee on the Sugar Refineries the expenses under this Sub-head shows a reduction from the amount estimated"?—That is so.

1864. Why is not the estimate for the current year 1905-6 reduced? I observe it still stands at 1,200*l.*, as it did in 1904-5?—It showed a saving in this particular year of 157*l.* Do I understand you to say that it has since jumped up again to 1,200*l.*

1865. It has not jumped up. The grant used to be 1,000*l.* It was raised to 1,200*l.* on account of this Sugar Inter-Departmental Committee. Now that Committee has ceased, it is done with, is it not?—Yes.

1866. Why does the Estimate for this year, when there is no Inter-Departmental Committee, still remain at 1,200*l.*?—Because there are other new items added on to it since then.

1867. What other items?—To begin with, there are more travelling expenses in regard to inspection. We have had two or three Inspecting or Surveyors-General appointed on account of the Sligo business, who are constantly travelling about, and they have their travelling expenses, which are rather heavy. There is also an additional expense incurred by the travelling on inspection of clerks from the Accountant-General's Office.

1868. Then this 200*l.* is a permanent addition to the Establishment?—It appears to be so, because those Inspecting-Surveyors are, of course, a permanent addition. The Surveyors-General Vote is increased in that way owing to the inspection being more thorough than it was formerly. Also the inspection by the Accountant-General's Office is a permanent addition.

1869. I notice under "Port Establishments,"
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Mr. Goddard—continued.

Sub-head B 2, "Travelling and Subsistence Allowances," there is an excess expenditure of 91*l.*, and the explanation given on the opposite page is that "the travelling expenses of officers detached from their own ports for special service in connection with the Sugar Refineries has caused a slight excess in this Sub-head." How does that agree with the former note? In the former note the surplus is explained by the fact that the Inter-Departmental Committee on Sugar Refineries has ended its work. In this note it is explained that the excess expenditure has arisen from the same cause as made a surplus in the other case?—I cannot see myself how that arises. Of course, I am under the disadvantage that I have not followed this account day by day in the way that the Accountant and Comptroller-General would have done. I have not grasped that point.

1870. The only explanations we have are the notes attached to the Vote, which seem to contradict each other?—The one seems to contradict the other in that case, but I feel sure there is a satisfactory explanation.

Chairman.

1871. But has the cessation of the Inter-Departmental Committee anything to do with the travelling expenses of these officers going from their ports—do they not travel about inspecting the sugar refineries just the same? The yearly inspection on account of the Sugar Duties goes on just the same, does it not?—The Committee's functions have ceased, but the travelling and subsistence of officers continued till a later date.

Mr. Goddard.

1872. May I ask as to one other Sub-head, "E 1, Salaries." The total grant was 4,955*l.*, and the expenditure shows an excess of 828*l.* 15*s.* There is a note which states that "Counsel's fees in the Saccharin and other prosecutions have been unusually heavy this year, which accounts for the excess under this Sub-head"?—Yes. That has been recovered.

1873. In the Estimates for this year, out of a sum of 4,955*l.* voted, only 250*l.* was voted as "Fees for counsel and other expenses." Is it possible that on a vote of 250*l.* there is an excess of 828*l.*, that is, more than 300 per cent.?—Of course, part of the counsel's fees there are in the Sligo case.

Chairman.

1874. What were the costs that they had to pay?—Under Sub-head E 2 we had paid 331*l.* 12*s.* in the Bank case up to that date, and, of course, there will be more to pay.

Mr. Goddard.

1875. That is the next sub-head, that is a different thing altogether from the counsel's fees that I was asking about?—Yes, I understood the Chairman to ask me as to the Law charges.

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REVENUE DEPARTMENTS.

Vote 1.—Customs—continued.

Mr. Goddard—continued.

1876. You took 250*l.* for counsel's fees, and you must have expended over 1,000*l.* in fees; last year you estimated it at 500*l.*, and that is repeated in this year's Estimates. But 829*l.* is an enormous increase on such an Estimate as this; either it was not due entirely to counsel's fees or else it is a very large increase of which we ought to have some explanation?—It is a large increase, no doubt.

Sir Brampton Gurdon.

1877. Is it not the case that some very remarkable cases as to saccharin had to be decided?—Yes, we had some very remarkable cases. As you see further down the page, in the note about the receipts, we recovered from "Fines, forfeiture, etc., 3,362*l.*," more than was estimated, so that that is somewhat a set-off against the extra cost.

Mr. Buchanan.

1878. One of the results of imposing a new duty, I suppose, always is to raise difficult questions of law and entail expensive prosecutions?—Yes. There is more trouble about saccharin than in any other case; first of all, it is very easy to smuggle, because it goes into a small compass; and, secondly, it is difficult to define exactly what saccharin is.

1879. This increase in the legal expenses is due to the imposition of the new duty?—Yes.

Mr. Cohen.

1880. The explanation in regard to counsel's fees says that they have been "unusually heavy" in connection with "saccharin and other prosecutions"?—Yes.

1881. You have told us about saccharin; can you tell us shortly why there was such an increase in "other prosecutions"?—It would be impossible to do so because it is spread over such a great many cases in small amounts. Saccharin accounts for the great bulk of it.

Mr. Gibson Bowles.

1882. What did the saccharin cases cost you altogether in counsel's fees and in costs?—I am afraid, without looking it up, I cannot say.

1883. Did it cost you a considerable sum to define saccharin?—Yes, no doubt.

1884. Was there any ambiguity in the Taxing Clause of the Act?—No; but it goes under various headings. Saccharin is called various things. It rests with the analyst to decide whether it is really saccharin, and comes under the rate, which is a very high rate of duty for saccharin. There was one case under Head E, 2, where we lost the case, and it cost us 86*l.*

1885. (To Mr. Kempe.) In paragraph 4 you say, "The receipts side of the Revenue Account has been subjected to a test examination." Your examination was satisfactory, was it?—Yes.

1886. With regard to paragraph 5, in which you

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you state that "a return which has been furnished to me by the Customs Department for the year 1903-4, shows that no cases of remission of duty or abandonment of claims on account of Revenue involving a loss of 50*l.* or upwards occurred

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Vote 1.—Customs—*continued.*Mr. *Gibson Bowles*—*continued.*

within the year." Are you satisfied with that?—Yes.

1887. That applies to the receipt side?—Yes.

(*Mr. Potter withdrew.*)

Mr. ALFRED STAIR, called in; and Examined.

ON VOTE 2.

INLAND REVENUE.

Chairman.

1888. You are the Accounting Officer responsible for this Vote?—I am.

1889. If you will turn to the Report of the Comptroller and Auditor-General, in the second paragraph, you will see it is stated that two sureties were taken for a bond of 150*l.*, upon which one surety paid 75*l.*; the same sum was claimable from the other surety, but he could not be made to pay?—That was so.

1890. Is not inquiry made as to the reliability of a surety before he is taken?—Invariably.

1891. Then what happened in this case?—The second surety had no money—he could not pay.

1892. Was not he reported upon as a good surety before he was taken?—He was before he was taken, but afterwards, when it came to the crucial point it was found he had no money.

1893. And you could not recover it from the first surety?—No.

1894. You tried to do so, but you could not?—Yes.

1895. (To Mr. *Kempe.*) With regard to paragraph 8, do you not consider that the sum of 42,786*l.* is a considerable amount to be remitted in regard to duty in a year; last year it was about 9,000*l.*, I think, or it was very much less than this at any rate?—It was 34,000*l.*, I think, last year. It must vary from year to year; it depends entirely upon the number and the size of the cases.

1896. Are these cases submitted to you?—No, not in the first instance.

1897. Are they submitted after they have been decided?—A schedule of the cases is forwarded to me after they have been settled.

1898. (To Mr. *Blain.*) Do you not consider that 42,000*l.* is a large sum to be remitted in a year?—Not in proportion to the revenue collected.

1899. Upon what amount would that be?—Upon the whole amount of revenue collected by the Inland Revenue Department.

1900. At any rate, you go into all the cases, do you?—A portion of them come to the Treasury.

Sir *Brampton Gurdon.*

1901. (To Mr. *Stair.*) Referring to the case mentioned in paragraph 2, about which the Chairman has asked you, as the defalcation was nearly 250*l.*, and the bond was only 150*l.*, it would seem as if the bond was not sufficient?—Of course, the collector has only a certain sum in his hands at any time. It takes five or six months to collect the whole quota, so that he never has as much as 150*l.* in his hands.

1902. But he had 249*l.* 14*s.* 2*d.* in this case?—He had been withholding it in this case.

1903. I should have thought his accounts would be so checked that he could not exceed the 150*l.*; would not that be your rule? Do you make a practice of taking a bond for a sum which must cover the maximum sum that he could ever have in hand?—No; it would cover the amount that is usually in the hands of a collector at any time.

1904. You consider the worth of his place as a certain check upon him, besides the actual amount of the bond?—Yes.

Mr. *Gibson Bowles.*

1905. Turning to page 579, I observe that one of these items which you have lost is an item of 10*l.*, which is described as "Embezzlement by a broker employed by a Collector of Taxes to execute a distraint"?—That is so.

1906. Is it not held that a Collector of Taxes is to be responsible for the person he employs?—This broker is not employed by the Collector of Taxes.

1907. The statement here is that he is?—He is employed by the Commissioners.

1908. In the particulars of charge it says, "Embezzlement by a broker employed by a Collector of Taxes to execute a distraint." You say he was employed by the Court?—Yes; the Collector of Taxes states he cannot collect a sum, and then this man is employed to collect it for him, and having collected it, he disappears.

Mr. *Cohen.*

1909. By whom is he employed?—He is employed by the Court.

1910. Then

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Mr. Gibson Bowles.

1910. Then that statement is a little misleading, is it not?—Yes, it is not quite correct.

1911. Do you consider that your system of taking security for the solvency of your Collectors of Taxes is, on the whole, adequate?—I think so. We take a security from the Collectors appointed by us, and it is left to the Local Commissioners to take it from the Collectors appointed by them.

1912. Would that apply in cases of Income Tax, for instance?—Yes.

1913. But in cases of Income Tax some of it is collected by local Collectors, is it not?—Not very much now. The Collectors of Inland Revenue as a rule collect it, as regards Schedules D and E.

1914. In cases where it is collected by local Collectors, do you have any security?—Yes.

1915. As regards paragraph 8 of the Comptroller and Auditor-General's Report, it is stated that the duties remitted or abandoned amounted to 42,786*l.*?—Yes.

1916. What revenues are those, mainly?—Income Tax and Estate Duty.

1917. Which forms the larger portion—Estate Duty or Income Tax?—I am hardly in a position to say, but I should think Income Tax.

1918. They are all remitted or abandoned under powers which you hold under Act of Parliament?—I take it to be so.

1919. I hope it is so?—It is so in regard to Income Tax certainly, and I should say Estate Duty also?—I never see these cases myself.

1920. But you know you are responsible?—Yes; quite so.

Mr. Cohen.

1921. (To Mr. Blain.) I understood you, in reply to the Chairman, to say that the reasons for not enforcing the claims in the case of these remissions of duty were placed before the Treasury; will you tell me who else besides the Treasury has any power to remit taxation receipts?—The Commissioners of Inland Revenue exercise the power.

1922. It is allowed to them?—Yes.

1923. Then the Treasury do not know in respect of this the reasons which prompted the Commissioners to remit the taxation?—No.

1924. But the bulk of their remissions are authorised by the Treasury?—A number of cases do come before the Treasury.

1925. I understood from what was said in answer to Mr. Gibson Bowles just now, that the bulk of the claims abandoned was in respect of Income Tax and Estate Duty. Estate Duty is that which comes before the Commissioners, is it not?—It would all come before the Commissioners; every case comes before the Commissioners.

1926. I want to know the sources of the taxation respectively remitted by the Treasury and by the Commissioners, as you have just told

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Mr. Cohen—continued.

us?—It depends upon the circumstances of the particular case whether they think it necessary to get the Treasury to sanction the remission.

1926*. If they do not think it necessary they do it themselves?—Yes.

Mr. Goddard.

1927. (To Mr. Stair.) On page 576 there is a footnote A (2) in regard to salaries. It says: "Surveyors of Taxes in Scotland receive extra remuneration from local sources at the discretion of the Commissioners of Supply for preparing registers of voters for burghs and counties under the Act 31 and 32 Vict. c. 48 and prior Acts. The net sum of 5,681*l.* 0*s.* 9*d.* has been received on this account during the year 1903-4." That is a very large amount, is it not?—It is spread over a great many surveyors.

1928. Do they do the work themselves or have they to appoint subordinates to do it?—Their clerks may do part of it, but they are responsible.

1929. Can they do that extra duty without interfering with their ordinary duties as Surveyors of Taxes?—They work late at night to do it. I do not think the remuneration in any case exceeds two or three hundred a year to any one man.

Chairman.

1930. That is paid from local sources?—Local sources.

Mr. Gibson Bowles.

1931. Your Surveyors of Taxes and Supervisors of Excise are different departments, are they not?—They are entirely distinct.

1932. They perform separate duties in the same town?—Yes.

1933. Is there any reason why the two departments should not be amalgamated, and one department perform all the duties?—Yes, I think there is, decidedly.

1934. Are you quite sure that each set of officers has enough to do?—Quite, especially the Surveyors of Taxes.

Mr. Goddard.

1935. In regard to Sub-head B there is an item there which I have drawn attention to in previous years; why do they always take so much more money for travelling expenses than is expended?—Of course, the expenses are extremely variable in all these cases. There are a great many removals of surveyors and supervisors and collectors; the removal expenses are extremely heavy.

1936. If you look at the course of this Vote for some years past, you will see sometimes the surplus has been as much as 6,000*l.*?—We have reduced the total for the Sub-head to 94,000*l.* in this coming year.

1937. On page 583 I observe there is a statement showing a considerable number of addi-

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Mr. *Goddard*—*continued.*

tions to the staff, made with Treasury authority?—Yes.

1934. Are you quite sure that each set of those increases.

1938. But is there any reason why those increases should be made immediately without being put into the Votes and brought before Parliament in the ordinary way?—These cases, of course, occur after the Vote has been prepared and passed.

1939. But this is due to re-organisation; was there any great haste necessary in doing it?—I should say so.

1940. (To Mr. *Blain*.) On page 584 I notice there are a lot of personal allowances. I thought the Treasury was very much averse to these personal allowances?—There are some cases where special duties are thrown upon a man where there is no other means of providing for them; it is more economical to give a special allowance to one man rather than raise the permanent salary.

1941. (To Mr. *Stair*.) On page 586 and the following pages there is a long list of members of the staff to whom sums in excess of 25*l.* a year have been paid with Treasury sanction during the year by way of Extra Remuneration?—That is so.

1942. May I ask on what principle is that mode adopted, because these are all highly-paid officers; to take, for instance, such an officer as the Chief Clerk of the Estate Duty Office, with a salary of 800*l.* a year, he draws an additional 200*l.* this year, and I think it was another 200*l.* or 300*l.* in the year before by way of Extra Remuneration for dealing with arrears?—Yes. It is to be remembered, of course, that they recovered about 2½ millions in duty by this extra work.

1943. In ordinary business affairs highly-paid officials who do a little extra work do not expect to get a lot of payment because they stop a few hours overtime; it seems a strange arrangement. It comes to a considerable figure, over 14,000*l.*?—Yes; a lump sum was voted in the Estimates for all this expenditure.

1944. Not for the items in this list, was it, because this is all done by Treasury sanction?—Yes, but still it is in the Estimates. This is the last time these claims will appear. The collection of arrears is all over now.

Sir *Robert Mowbray*.

1945. I see the bond which you take from your collectors as security is a joint bond as well as a several bond?—In that particular case it was so, but, as a rule, we go to an insurance office; we require the collectors to take out a policy.

1946. I was going to ask that: whether you generally take a bond or go to a guarantee office?—We go to a guarantee office.

1947. When you take a bond you do not, as a rule, look on the jointness of the bond as being mere surplusage?—No. I think in the case you are referring to it was an Irish case.

1948. I suppose, as a rule, you consider if two people jointly and severally enter into a bond

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On Vote 2.—Inland Revenue—*continued.*

Sir *Robert Mowbray*—*continued.*

you have a right to come down on each of them?—Quite so.

1949. I presume there was some special reason in this case for not coming down upon the one surety for the whole sum of 150*l.*?—Yes. In that case the man was absolutely a pauper—he had no money.

1950. How long previously had he given this bond?—I do not know without reference to the papers.

Sir *Frederick Banbury*.

1951. If he was a pauper, how did he get the 75*l.*?—He was not a pauper when he was appointed.

1952. But he actually paid 75*l.*?—That was the other surety who paid.

Sir *Robert Mowbray*.

1953. But I am asking why did you not come upon the man who did pay the 75*l.* to pay the other 75*l.*?—I cannot quite recollect, but I have no doubt he made some good and sufficient excuse.

Chairman.

1954. (To Mr. *Blain*.) Perhaps you would know that from the Petition presented to the Chancellor of the Exchequer for his being excused?—Yes; he was a farmer in very moderate circumstances, with a large family, and an appeal was made to the Chancellor of the Exchequer that if he had to pay the second 75*l.* it would ruin him; he paid one sum of 75*l.*

Mr. *Goddard*.

1955. (To Mr. *Stair*.) I understand now you go to a guarantee office for these things?—Yes, as a rule.

Mr. *Gibson Bowles*.

1956. I see most of these extra payments are paid as overtime?—That is so.

1957. But it is not stated with regard to the Estate Duty Office payments that those were overtime payments; were they so, in fact?—They were.

1958. Let me call your attention to page 583, where you will see a statement showing that a certain portion of the increases to the Establishment was due to the re-organisation of the Estate Duty Office, and the increase of its staff?—Yes.

1959. And that was due to the recommendations of the Haldane Committee; is that so?—That is so.

1960. Was the effect of the Haldane Committee's recommendations to exclude the public more from the Office than was formerly the case. There was an increase of staff, was there not?—Yes.

1961. Was there also any greater exclusion of the public?—I am not aware whether that was recommended.

1962. That

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1962. That was not recommended by the Haldane Committee?—I cannot say.

1963. Has that, in fact, been carried out?—It has.

1964. That is not due to the Haldane Committee?—I cannot say.

Sir Brampton Gurdon.

1965. Do you consider that in the case of such Officers as a Chief Examiner, Chief Clerk, or a Principal Clerk, there is such a thing as overtime? Is not the whole of their time supposed to be available; is there not a form in the Treasury that the whole twenty-four hours are at the service of the Lords Commissioners, though

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On Vote 2.—Inland Revenue—*continued.*Sir Brampton Gurdon—*continued.*

they will not always be taken?—They work very regularly.

1966-7. (To Mr. Blain.) It is quite right to allow overtime with subordinate officers, but I think you will say that officers in high positions are bound to give their whole time?—The Treasury specially sanctioned the payment in these cases, because this was an organised work of overtaking arrears by means of overtime. It was a very big business indeed, and went on for months, and the Treasury specially sanctioned the payment to the Officers who had charge of the organisation arrangements.

(Mr. Stair withdrew.)

Mr. CHARLES A. KING, called in; and Examined.

ON VOTE 3.

POST OFFICE.

Mr. Gibson Bowles.

1968. If you will turn to page 613 you will see in paragraph 3 of the Report of the Comptroller and Auditor-General in regard to Sub-head H, it says, "With reference to the very large excess under this Sub-head," which, I think, is 126,000*l.*, "the following sums paid subsequently to March 31st, 1904, have been included in this year's account, viz.: 20,000*l.* paid May 11th, 1904, New Western District Office; 26,000*l.* paid August 30th, 1904, extension of South Eastern District Office; 80,000*l.* paid September 30th, 1904, New Sorting Office, Manchester. The Treasury Authorities, as well as the actual warrants, bear dates prior to March 31st, 1904, but the certificates of purchase were not made out until a much later period, and payment of the purchase money was consequently delayed." First, will you explain why it is that the certificates of purchase were not made out till a much later period?—The delay is explained on page 614. In the Western District Office the agreement between the Postmaster-General and the vendor as to the price was arrived at on March 24th, and it had to be completed forthwith. On reference to the Treasury, authority was given for the purchase, "on condition that 40,000*l.* of the purchase money should be paid this month" (that was in March), "and next." We issued a warrant for the moiety of 20,000*l.* on March 29th. But it was not carried through, because there were questions of rights of light, and those questions were not settled until a few weeks later.

1969. Who made the bargain on behalf of the Post Office?—It was made by the Secretary to the Post Office acting for the Postmaster-General.

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Mr. Gibson Bowles—*continued.*

1970. Am I to understand that he made the bargain and settled the sum, without having examined into the question of rights of light?—I think in almost all cases of purchase these difficulties arise afterwards, and that the main question of the price is settled before a detailed examination can be made as to whether there are any special rights of light, and so on. The smaller difficulties are taken afterwards.

1971. Yes, but here you paid away 20,000*l.*, did you not, without having settled final question as to lights?—No; the money was not paid away. These difficult questions arose and the money was not paid, hence the Comptroller and Auditor-General's query.

1972. Then in that case have the questions of right of light been settled?—They were settled in the course of the early part of May—within about six weeks of the end of the financial year.

1973. In the South Eastern District Office case, as you will see on page 614, the same thing happened, and there a subsequent question arose as to the power to sell?—Yes, as to the power to sell. We had to pay the money into Court.

1974. Do you mean to say that you had made a bargain without knowing whether the vendor had power to sell?—It does not fall to my province, but I think it happens in this way: That a man represents himself to be the owner of the property, and negotiations are carried on up to a certain point, and an agreement arrived at as to price; and then, when the two solicitors meet the Post Office solicitor finds that the title does not appear to be quite good. In this case, following the law on the subject, the money was paid into

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2 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. KING. [Continued.]

REVENUE DEPARTMENTS.

On Vote 3.—Post Office—*continued.*

Mr. Gibson Bowles—*continued.*

into Court, leaving the rightful claimant to make good his right.

1975. You are referring to the case of the South Eastern District Office?—Yes.

1976. As to which 26,000*l.* was paid on August 26th, 1904—paid to whom?—The whole 26,000*l.* was paid into the Bank of England, at the Law Courts Branch.

1977. The question having arisen previous to that?—Yes.

1978. Then again in the case of Manchester, after you had made your bargain there, difficulties arose as to the closing of a street?—Yes.

1979. Now here there are three different kinds of questions that arose after the bargain had been made?—Yes; after the main points of the agreement had been settled.

1980. I do not know about the "main points" surely the power to sell is a main point?—It is a legal difficulty that occurs sometimes. A man may think he has a perfect right to sell, but the solicitor on the other side doubts it, and advises in some cases that there should be further investigations, and in other cases that the money should be paid into Court.

1981. (To Mr. Kempe.) Were you conversant with the history of the particular difficulties that arose in these cases?—I have seen the documents.

1982. Do you think they are difficulties that might reasonably be expected to arise after the completion of the contract?—They seem so. Perhaps I may say that this is not quite our point in that paragraph.

1983. I am coming to your point in a minute; I appreciate that your point is quite a different one. On the whole, you think that the explanation of the Post Office as regards the difficulties that arose may be accepted?—I have no reason to doubt it.

1984. (To Mr. King.) Now the much more serious point is this, that as is pointed out in paragraph 3, you have introduced into your Appropriation Account sums of Expenditure in respect of purchase of property for the conveyance of which the necessary legal deeds have not been completed before the close of the financial year affected"?—That is so.

1985. What reason have you to give for that?—The reason was this: When we issued the warrant for payment, there was no anticipation of these difficulties arising, and the warrants were issued believing that they would be cashed promptly. The difficulties were very serious, especially at Manchester, where there were difficulties with the Corporation about closing the street; and there was considerable delay before the certificates of purchase could be completed. But what we suggest is that the main points connected with each of the three purposes were settled within the financial year, and that in the acquisition of property it is extremely difficult to foresee what legal points will arise. We submit that in what we did we followed Treasury

REVENUE DEPARTMENTS.

On Vote 3.—Post Office—*continued.*

Mr. Gibson Bowles—*continued.*

instruction, and that virtually the agreement to purchase was carried out within the financial year in which the warrants were issued.

1986. But it was not as a matter of fact?—It was virtually carried out. The Postmaster-General had agreed to buy this property for the sums for which we issued the warrants.

1987. But the purchase was not completed?—Quite so—that is admitted.

1988. Now what I want to ask is this: These items were all put into the year 1903-4?—Yes.

1989. Am I not right in saying that strictly and properly they ought to have been put into the year 1904-5?—Well, that, of course, is the point raised by the Comptroller and Auditor-General. According to the usual custom the date of the charge is governed by the date of the issue of the warrant. We issued the warrants on the various dates mentioned here in March, 1904, and considered them as charges against the year 1903-4; but they were not presented until some time later.

1990. (To Mr. Kempe.) Now that you have heard the explanation, what do you say to it?—It would be impossible for me to accept as a charge against the Vote a payment which has not been completed within the year, and for which no receipt has been given.

1991. Of course, that also is my view. (To Mr. King.) You see this really does raise a very serious question?—Quite so, it is recognised as an important question, and it is very important for the Post Office, because the Post Office business is always steadily increasing, and we are in constant need of larger accommodation, and unless we have some margin under the "Purchase of Sites" Sub-head for exceptional purchases, the Postmaster-General cannot complete a purchase without a Supplementary Estimate unless there happened to be savings in the current year. We have no capital account in the Post Office for the purchase of sites.

1992. Am I to take it, then, that you do not dispute that this is an irregular transaction?—I am not quite prepared to admit that it is an irregular transaction—it is a transaction that is open to question.

Chairman.

1993. But it is the practice, you say?—It is the practice, a practice that has been followed for many years, I may say from time immemorial, in the Post Office.

Mr. Gibson Bowles.

1994. I was coming to that. You recognise that it is a serious matter?—Yes.

1995. What makes it more serious is that you have said that it is the usual custom?—It is the custom in the Post Office, a custom which has been passed by the Comptroller and Auditor-General, to let the date of the warrant govern the year it is charged upon. It is rather difficult to see how the account can be kept fairly straight.

2 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. KING.

[Continued.]

REVENUE DEPARTMENTS.

On Vote 3.—Post Office—*continued.*Mr. Gibson Bowles—*continued.*

straight without knowing to what year the charge will be proper when the warrant is presented.

1996. (To Mr. Kempe.) Would you accept the doctrine that the date of the warrant governs the transaction?—No, certainly not, because the warrant might be drawn and locked up in a desk.

1997. You still hold the opinion that this was an irregular accounting?—Yes.

1998. That it was put into the wrong year?—Yes.

1999. (To Mr. King.) Having heard that expression of opinion, may we take it that in future in cases where you want moneys, such as these, you will ask for them in a Vote *ad hoc*, as it were, and not adopt the system of accounting which was adopted in this instance?—I am not quite sure that an alteration in the Post Office practice in charging the amount it would necessarily mean an estimate *ad hoc*. Taking these three cases, if in the following year, the year 1904-5, there were savings sufficient to meet this 126,000*l.*, there would be no need to have an estimate *ad hoc*; authority might be given to make use of savings under other sub-heads of the Vote.

2000. (To Mr. Blain.) Under those circumstances would the Treasury give authority to use those savings?—Yes, in the same way as they did in the cases when they arose in 1903-4. (Mr. King.) We had Treasury authority for what we did in these three cases.

2001. Did the whole of this 126,000*l.* come out of savings?—Yes, out of savings.

2002. Of course, that does not affect the propriety of charging them to the particular year?—No.

2003. I wanted simply to know whether you had read the remarks of the Comptroller and Auditor-General, and whether, after this discussion, we may take it that the Post Office intend to continue to pursue this system?—On behalf of the Post Office I may say that we intend to follow the ruling which the Committee may give.

Sir Robert Mowbray.

2004. Supposing you had not done what you did in this particular year, and what, as I understand, has been your practice, what would have been the alternative course you would have had to pursue? You would have had 126,000*l.* as an unexpended surplus?—Yes.

2005. That would have been surrendered to the Exchequer as on March 31st, 1904?—Yes.

2006. And it would have been too late then to have inserted in the Estimates for 1904-5 a sum to meet this expenditure?—Quite so.

2007. Because you were not aware of it at the time when the Estimates were being framed?—That is so.

2008. Therefore you would either have had to come for a supplementary Estimate in 1904-5, or you would have had to get the money out of savings?—As a matter of fact, if the charge had been raised against the year 1904-5 instead of

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REVENUE DEPARTMENTS.

On Vote 3.—Post Office—*continued.*Sir Robert Mowbray—*continued.*

the year 1903-4, it would have resulted in a supplementary estimate being necessary for 1904-5. The savings in the financial year just ended were not sufficient to meet this 126,000*l.*

2009. In any case, the money would have been required; in one case at any rate, in the early part of 1904-5, it was actually paid in May, was not it?—Yes.

2010. In the other cases it was paid in August and September. In the month of May you would hardly have been in a position to go to the Treasury and say that you thought you would have savings on other Votes that would be ample for this purpose?—No, we could not forecast in May of last year that there would be any savings at all in the year. Of course, in May, 1905, one knows approximately what these savings amounted to in 1904-5; and the savings were insufficient to meet these three sites. That is on the Post Office Vote. On the Telegraph Vote I think the savings are sufficient; but on the Post Office Vote there is not enough money for the purpose.

2011. I suppose at the time that you applied for Treasury sanction and got the warrant for the money you believed yourself to be under the possible necessity of paying that amount actually in money before March 31st; that it was possible you might be called upon to do it?—Yes; the warrants for payment were issued with that intent, that the money should be paid.

2012. Had you not had these Treasury warrants, and had you not had the possibility of paying these amounts, I suppose you would have come under liability of paying interest for an uncompleted contract?—The warrants were Post Office warrants; that is, warrants issued by me for payment of the money. The money is recoverable periodically from the Treasury, but that is a separate transaction. The warrant is not the Treasury authority but the Post Office authority to the Post Office cashier to pay the money. It is our term for a cheque—it is really a cheque.

2013. It is not an issue out of the Exchequer?—No; not a specific issue out of the Exchequer. The issue out of the Exchequer is two months later. We recover from the Exchequer two months after date.

2014. Then, in fact, you had the money at your own control ready for the completion of the purchase when you required it?—Yes. For two months the Post Office provides this voted service money, and we keep a running account between voted service money and revenue.

2015. Then was there any necessity (except the necessity of avoiding a Supplementary Estimate in the next year) for your issuing these warrants as the money was in your own control?—Yes, because it was understood the purchases were to be completed forthwith. In one case in particular it was insisted upon that the purchase must be carried out at once.

2016. But what are these Post Office warrants?—They are practically Post Office cheques;

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[Continued.]

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On Vote 3.—Post Office—*continued.*Sir Robert Mowbray—*continued.*

cheques; cheques issued by myself instructing the Cashier to pay to So-and-so, so much money.

2017. Would it not have been sufficient to have drawn a cheque on the very day that you agreed to the completion of the purchase. I suppose you would have made an arrangement with the solicitor on the other side for completion on a certain day. It was merely a question when you dated the cheque?—It was a question of raising the charge against the proper year.

2018. Yes, I follow that, but the money was in your own hands?—Yes.

Mr. Goddard.

2019. I do not quite see how you dealt with the balance. As a matter of fact, on the 31st day of March your balance, as I gather, was really 298,000*l.* The balance surrendered was 172,517*l.*, and if you add the 126,000*l.* to that you get the sum I mentioned?—We do not arrive at that total amount to be surrendered until this Appropriation Account is closed, and that is in the following November.

2020. I thought the year of account terminated on March 31st?—Yes, but the Appropriation Account by Act of Parliament is not closed until November 30th of that year; it must be rendered on or before that date.

2021. Then, so far as I can see, the only object of putting it into this year as against putting it into the year 1904-5, was to avoid a Supplementary Estimate?—It was a Treasury instruction mainly, I suppose, to avoid a Supplementary Estimate.

Mr. Buchanan.

2022. Is there anything to show that these services were unforeseen. I thought you said just now, in answer to Sir Robert Mowbray, that they were unforeseen services, and that the money therefore could not be voted in the ordinary way?—We had been in negotiation for sites at Manchester, and as regards these two places in London, we had been on the look-out for sites for years. When we prepared the Estimates for 1903-4 (which would be in December, 1902) we had no more reason for thinking that the purchases would be completed in the year 1903-4, than in any other year, as there was nothing to suggest that we would be able to complete the purchases in that year, and therefore we made no provision in the Estimates for 1903-4 for those three large purchases.

2023. Then do I understand there suddenly became a possibility of acquiring these sites towards the end of the financial year?—Yes; in each case it was late in the year that things matured, and there was an opportunity to complete the purchase.

2024. Did the fact of your having savings in hand influence your decision in charging this sum to 1903-4?—If there had been no savings I think the Treasury would not have given authority. We could not have paid the money.

REVENUE DEPARTMENTS.

On Vote 3.—Post Office—*continued.*Mr. Buchanan—*continued.*

A Department cannot pay more money than is provided. If the money provided was insufficient, neither the Treasury nor the Post Office would have considered the payment of the money unless it was absolutely essential to pay it on that day and have a Supplementary Estimate.

2025. All this money was issued within the last week of March 1904, was it not? The date in two of the cases was the 29th of March, and the other case the 21st March?—The warrants were drawn then, but the accounting with the Treasury is always two months in arrear. We do not recover from the Treasury until two months after date.

2026. But you issued warrants before the 31st of March, in order to charge this to the Accounts of 1903-4?—Quite so.

2027. When did you apply to the Treasury to get their sanction?—Prior to that. The Treasury reply was on the 28th of March in one case, and in another the 23rd of March. In the Manchester case it was earlier still—namely, the 11th February 1904.

2028. That is the date of the agreement when the price was arrived at?—Yes. On reporting the facts to the Treasury they instructed the Post Office to make this payment as regards the Western District office, half chargeable to one year and half to the next.

2029. Is not this case similar to the others we have had before. That you have at the end of the year considerable savings in your hands, and so you devote them to purposes which cannot be carried into execution till the following year?—I think not. I think it was that an opportunity for purchase came towards the end of 1903—in November or December. At that time we did not know there would be a surplus on the year. The sites were purchased because the opportunity afforded, not because there was money available. They were charged to that year because there was money available.

2030. (To Mr. Kempe.) What is your opinion upon the matter? Is this a case similar to those we have had previously before the consideration of this Committee, where a Department has a considerable amount of savings in hand and charges for certain works which they desire to execute in the subsequent year against Treasury authority for the issue of money, and charge them to the previous year?—There have been cases like that no doubt, but I cannot say that there have been any in the Post Office. It is not unfamiliar in the Departments generally.

2031. I did not mean to refer to the Post Office particularly. What would have been the regular method of accounting in this case in your opinion?—The regular method would have been to postpone the signature of the cheque until the money was due, and charge it to the Vote in the year in which it was paid.

2032. And if they wanted to charge it to 1903-4 to introduce a Supplementary Estimate?—Yes.

2033. (To

2. June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. KING.

[Continued.]

REVENUE DEPARTMENTS.

On Vote 3.—Post Office—*continued.**Mr. Pym.*

2033. (To Mr. King.) In regard to these people from whom you were purchasing these sites, there was no necessity, from their point of view, that you should pay the money before March 31st, as you had not entered into a contract that you would pay the purchase money before March 31st?—Yes; undoubtedly in one case, that of the Western District office, it was distinctly agreed that 20,000*l.* of the purchase money should be paid in March. That was part of the agreement to purchase.

2034. Is that the case of the big payment?—No, the Western District office.

2035. That was only one case out of the three?—I think there was no such stipulation in the South Eastern District case or in the Manchester case. I see in regard to the Western District office my *précis* of the case, in March, 1904, says, "Site will be lost unless written acceptance be received by them to-day."

2036. What date was that?—That was March 16th. In the Manchester case there was no such stipulation. Sir William Houldsworth accepted the offer of the Post Office to pay 80,000*l.* on February 16th.

2037. Did you consider that as governing your action in any way as regards all these cases? In a particular case, as a preliminary condition of the purchase, you were obliged to pay a certain portion of the money before March 31st; but beyond what you have given us as the reasons for making use of this surplus, did that fact influence you in paying the rest of the money for the other sites before March 31st?—No; I think it remains as I explained. The Treasury authorised the completion of these purchases as proper to the year because it was desired to avoid a Supplementary Estimate in the following year.

2038. I quite understand that. The point I want to get at is this. With the exception of that one case there was no pressure brought to bear upon you that you had to pay either a portion or the whole of the sum before March 31st?—I am afraid I cannot explain all the circumstances about the purchase. I was instructed as Accountant-General to furnish warrants for these amounts at once. The Treasury authority was sufficient for me. As to what promises had been made as to when the purchase would be actually completed I am afraid I cannot say.

2039. I wanted to elicit that point if I could. Beyond this particular case you are not aware that in either of the other cases there was any condition attached to the purchase of these sites, such as payment before March 31st?—I cannot say.

Mr. Cameron Corbett.

2040. There were contracts entered into for purchase of all the sites?—Yes.

2041. One may take it, I suppose, as absolutely certain that in that case, as in all other purchases, there would be some date in the contract at which the purchase ought to be completed,

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On Vote 3.—Post Office—*continued.**Mr. Cameron Corbett—continued.*

although the date may not be present to your memory?—I am not sure that in these cases there was a formal contract to purchase. In all three cases I believe there was an exchange of letters between the vendor and the Postmaster-General, and the Postmaster-General had agreed to buy at the price mentioned. It was a virtual contract by correspondence, but I believe it was not a formal legal document, stating that the purchase would be completed by a certain date.

2042. In practice I suppose you invariably have some contract before you have your conveyance—that is to say, you have a contract, and then investigation of title, and then your conveyance?—Yes.

Mr. Cohen.

2043. Between the agreement and the conveyance there is always a considerable interval, is there not, or there may be considerable interval? When you enter into an agreement that you will pay on a certain day, that is subject to the title being examined—you do not pay until afterwards?—We do not pay until afterwards.

2044. That examination takes a considerable time, I suppose?—It does take a long time in some cases.

2045. And in the interval March 31st may intervene?—It did in these three cases.

2046. That, I take it, was the cause of all the irregularity. Now, referring to what the Comptroller and Auditor-General very properly, if I may say so, draws attention to, may I ask do the Post Office see their way to remedy that, which certainly seems, I will not say an irregularity, but unsound accounting. The reason I ask that question is because the difficulty has arisen very often before and may arise hereafter again?—The only objection to adopting the course recommended is that occasionally it would involve a supplementary estimate in the following year, and supplementary estimates are to be avoided if possible.

2047. But there are precedents for supplementary estimates?—Yes. I think that is the only objection.

Sir Frederick Banbury.

2048. As I understand in the first case, that of the Western District Office, the first agreement was not arrived at until March 24th, which is only seven days before the end of the financial year?—Yes.

2049. I understand you to say there was no formal contract in any of these cases, but merely a letter agreeing to buy and a letter agreeing to sell?—Yes, on the dates mentioned in the reply to the Comptroller and Auditor-General's query on page 614. It was simply a letter agreeing to sell and a letter agreeing to buy.

2050. It must have been within their knowledge that there might arise difficulties. In buying freehold property difficulties very often do arise after an agreement by letter has been arrived at?—Quite so.

2051. If

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[Continued.]

REVENUE DEPARTMENTS.

On Vote 3.—Post Office—*continued.**Sir Frederick Banbury—continued.*

2051. If you had surrendered this 126,000*l.* the only difficulty you would have been in would have been that you would have had to have a Supplementary Estimate?—That is so.

2052. And to have increased the charge on the Vote the next year?—That is the whole case.

2053. I do not want to go into the question as to whether or not the plan of surrendering balances is good or bad, but by doing what you did, do you not avoid doing what you are supposed to do, that is to say surrendering unspent balances?—Yes, we reduced the amount of the surplus.

2054. Even if that rule is wrong, do you think it is right for a Department to avoid that rule?—I think it would be better, undoubtedly, if there were no objections to a supplementary estimate, to let the actual date of payment govern the change. It is not wholly a Post Office question—Supplementary Estimates concern the Treasury and the House of Commons.

2055. The Post Office would no doubt like to take the lead in doing what is right?—Undoubtedly.

2056. May I take it, then, that you will put the matter before the Post Office authorities?—Certainly.

Mr. Cameron Corbett.

2057. Supposing the other course had been adopted of following the plan of a Supplementary Estimate, would that have delayed the carrying out of the purchase with the vendor?—No, I think not.

2058. It is purely a matter of accounting?—It might delay it in some cases. If our Vote was exhausted, or nearly exhausted, and we had no money wherewith to meet the expense, we would have to report to the Treasury that the Vote was exhausted and there was no money to meet this item; and we would have to say further, that if the money was to be paid, it would involve a Supplementary Estimate; and the Treasury or the Chancellor of the Exchequer might say: "We will not have a Supplementary Estimate." In that case there would be delay. We could not carry out the purchase.

Chairman.

2059. (To Mr. *Blain.*) I did not understand you to say what opinion you held upon this question, to whether it would be better when money is paid to charge it in the year in which it is paid, or whether, if the warrants are issued then, it should be charged in that year?—It is the universal rule in the Service that the date of the warrant governs the year of charge. We are entirely in favour of the Post Office practice there. But still substantially on this case we entirely agree with the Comptroller and Auditor-General. Our view would be that these warrants should not, under the circumstances, have been issued before the 31st March. But it is necessary to maintain the rule, that when a

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On Vote 3.—Post Office—*continued.**Chairman—continued.*

warrant or an order for a warrant is issued on or before the 31st March, the payment shall be charged to that financial year, and that the date of the charge shall not depend upon the day when the man who gets the cheque happens to present it for payment. If it depended upon that we could never rely upon our accounts. Some people might delay for months before presenting the cheque.

2060. In this particular case do you think that the warrants ought to have been dated after the 31st March?—In view of the facts that afterwards transpired, holding as we do, the same view as the Comptroller and Auditor-General, as to the proper method of Accounting, we would say that the warrants in these cases should not have been issued until after the 31st March, if it could have been foreseen.

Sir Robert Mowbray.

2061. You gave sanction to the general principle of expenditure, but you did not give sanction to the issue of these warrants?—We sanctioned the payments, and sanctioned their being made within the financial year; but, of course, the Treasury were not told that there was a likelihood that the transaction would not be completed within the year.

Sir Brampton Gurdon.

2062. (To Mr. *King.*) I observe on page 605, as regards the excess on Sub-head E 12, the explanatory note says that it "includes the cost of telegraph and telephone circuits for the new Savings Bank Buildings"; ought not that properly to have been under Sub-head E 17; "New Buildings and Works." Is the installation of the circuits a charge that would come under this head, "Incidental expenses?"—Yes. The heading "New Buildings and Works" represents the Office of Works expenditure; and these telegraph and telephone circuit installations were a Post Office work.

2063. You draw that distinction that when it is your work, you put it under "Incidental Expenses?"—Yes.

Chairman.

2064. With regard to item 14 in the first Sub-head, Sub-head A, you will observe there is an increase of nearly 20,000*l.*; it is said to be "mainly due to the increased use of bicycles by postmen and telegraph messengers, and to the transfer from another Sub-head of the cost of repairing bicycles"; that is to be taken in connection with C 1, in which there is a decrease. Is that because the use of bicycles by rural postmen allows of fewer men being employed, because they cover more ground; is that what it means?—Yes; you will observe it is both for postmen and telegraph boy messengers.

2065. They do not charge for delivery now, do they?—Not within three miles.

2066. (To

2 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B. Mr. BLAIN, Mr. KING, and
Major W. A. J. O'MEARA, R.E. C.M.G.

[Continued.]

REVENUE DEPARTMENTS.

ON VOTE 4.

POST OFFICE PACKET SERVICE.

Sir Brampton Gurdon.

2066. (To Mr. King.) On this vote there is one question I want to ask. Under Sub-head E. You appear to have deducted a penalty of 250*l.* from the Expenditure?—We do not spend the money. It is paid to the contractors. If it is a 50,000*l.* quarterly instalment due the contractors would be paid 250*l.* short, by way of penalty.

Chairman.

2067. Is that for the mails being late, or something of that kind?—Yes.

Sir Brampton Gurdon.

2068. Then I observe there is a large charge in regard to Ascension, of which the Admiralty contributed 660*l.*, so that it did not fall upon you?—That is a matter of division between us.

2068*. What would this cost be in respect of?—This is for the call of vessels at Ascension.

2069. In respect of additional facilities?—Yes. They used to call every other voyage coming home, and now they also call there occasionally on the outward voyage. The mails used to have to go out to the Cape, and then they were brought back to Ascension. Now they are occasional calls on the outward voyage as well as the homeward voyage.

ON VOTE 5.

POST OFFICE TELEGRAPHS.

Mr. Gibson Bowles.

2070. (To Mr. King.) I want to ask you a question or two as to your system of conducting your telegraph works; it is not on any particular item. Do you employ a great many workmen in your works?—Yes.

Major W. A. J. O'MEARA, R.E., C.M.G., called in; and Examined.

Mr. Gibson Bowles.

2077. You heard my question to Mr. King; could you tell me what securities are taken for checking these pay sheets, if that is the correct term; is it?—"Time sheets" is the correct term.

2078. Will you tell us what methods are taken for checking the time sheets? Are you General Superintendent of all these District Inspectors?—I am the Assistant Engineer-in-Chief, and I am responsible to the Engineer-in-Chief for the correct conduct of the engineering works in the provinces.

2079. You are responsible for these time sheets?—At headquarters, yes.

2080. Have you taken any precautions to secure their correctness?—Yes; our system is this: In the first instance the Superintending Engineer is called upon to prepare an estimate for the work. In preparing the estimate he has

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REVENUE DEPARTMENTS.

On Vote 5.—Post Office Telegraphs—continued.

Mr. Gibson Bowles—continued

2071. What system have you for ascertaining the wages they earn; have you pay-sheets or works receipts, or something of that sort?—We have pay-sheets and time-sheets, showing the time given by each workman.

2072. What securities do you take for seeing that those pay-sheets are correct?—That devolves upon the local Superintending Engineer, the kingdom is parcelled out among the Superintending Engineers, and the Superintending Engineer either himself or by his deputy inspects the particular gang engaged on any particular work.

2073. May I take it then that he is responsible to you for seeing that these pay-sheets are correct?—Yes, the Superintending Engineer certifies the pay-sheets, and all I do is to see that I get proper vouchers, and that the amount is properly allocated to the proper Sub-head of the Vote.

2074. Do you in any way check the correctness of these pay-sheets yourself as Accounting Officer?—I cannot go behind the certificate of the Superintending Engineer, that labour to the amount of so much has been incurred; and I see that the vouchers are produced for the amount that he claims. My province ends there as Accounting Officer.

2075. But you do not conceive it possible that a department is ever charged for more labour than has actually been used?—I am afraid it is always possible that there may be fraud in that way.

2076. Then that has occurred to you?—One must admit the possibility that a claim may be fraudulent. But perhaps you will allow my colleague Major O'Meara to speak on this point. He is the Assistant Engineer-in-Chief, and can speak more directly on these points than I can.

Mr. Gibson Bowles—continued.

to give complete details; he has to show where every little piece of wire is to be put up, and exactly what apparatus is going to be employed, and so on. Those estimates are received at headquarters, and are checked against the plans. The prices to be charged for the various works have been laid down at headquarters. We have arrived at that from experience, and every Superintending Engineer knows that he is not allowed to charge at a higher rate than has been fixed without giving an explanation of the causes that may lead to the extra charge. Frequently, if the cost of the work appears from the sheet to be too costly, an officer from headquarters is sent down to investigate.

2081. What you are speaking of now is all on the estimate?—Yes. I thought it well to explain it from the beginning, because it is at the estimate

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Mr. KEMPE, C.B., Mr. GIBSON, C.B. Mr. BLAIN, Mr. KING, and
Major W. A. J. O'MEARA, R.E., C.M.G.

[Continued.]

REVENUE DEPARTMENTS.

On Vote 5.—Post Office Telegraphs—*continued.*Mr. Gibson Bowles—*continued.*

estimate stage that at headquarters we can provide an efficient check. It is not so much while the work is in progress that we can affect it, because the first thing we want to know is the amount of work that is going to be done. The mere fact of an officer saying that he is going to spend 800*l.* does not give an idea of what amount of work he is going to do. We want to get a check in detail. That is an essential part of the whole system. When the estimates have been prepared the matter goes forward, and in due course the Postmaster-General's authority is received for the work to be put in hand. When that is done the actual authority is issued with the amount authorised, and no Superintending Engineer is allowed to start a work until he holds this authority. I have a copy of the form here. (*Handing in a form.*)

2082. That is for a lump sum?—For a lump sum; but we also send him back his estimate. If he quoted 831*l.* he gets authority to spend 831*l.* in accordance with the scheme he has presented—he is not allowed to vary the scheme.

2083. It is allocated according to the scheme, is that so? So much for material, so much for labour, and so on?—That is so.

2084. May he exceed on one small item supposing he saves on another?—He has to render an explanation. No departure is really allowed; but, of course, sometimes while the work is in progress something may occur to make a variation desirable.

2085. Will you go on with your description of what is done?—The Superintending Engineer, after having received authority to proceed with the work, issues an authority to his subordinates. The work may take place in two or three sections, and he issues a similar authority to each of the Sectional Engineers who have rendered to him their estimates, who also have work authorised in the same way on their estimates, and are authorised to spend so much money on labour and so much on stores; and, of course, the various store items are all detailed. The work then is put in hand, and the foreman, who happens to be an unestablished man, has to keep a time sheet. But before anything further is done, of course his gang is told off. He is told that he can employ, say, eight men, or whatever number of men the Sectional Engineer thinks are necessary for the conduct of the work. He is also told that he will receive pay at a certain rate, and that the men under him shall also receive pay at certain rates, which are fixed at headquarters. Day by day the foreman has to put on the sheet, of which I have a specimen here (*handing in the same*), a stroke against the men who have attended. If for any particular reason it is necessary to work beyond the authorised hours, of course, the foreman has to notify the Sectional Engineer. He may say for instance: "I have got a joint to make in a cable and I cannot finish it in eight hours; will you give me authority to work for an extra quarter of a day or half a day." The Sectional Engineer

REVENUE DEPARTMENTS.

On Vote 5.—Post Office Telegraphs—*continued.*Mr. Gibson Bowles—*continued.*

is responsible for the fact that the work cannot be done within the time, and he thereupon, according to his judgment and experience, either authorises or refuses to authorise the extra time. I may say that this extra time is paid for at the ordinary rates; labourers are not paid at overtime rate at all. The Sectional Engineer is responsible for the supervision—that is to say, it is part of his duty to pay surprise visits to see that the number of men are there, and that the work is progressing satisfactorily. It is also the duty of the Superintending Engineer (who also has his assistants) to pay surprise visits to see that the men are at work. As a matter of fact, the Superintending Engineer receives reports every morning informing him of the whereabouts of every gang which is employed. Of course, we have officers at headquarters who also have to pay surprise visits to see that the work is going on according to the regulations. Of course, we have to lay down strict regulations as to how the work should be done. In addition to the time sheet the foreman has to send in an additional sheet, called a progress report, of which I have a specimen here (*handing in the same*), on which he has to give day by day the detail of all the work that has been done by his gang. The Engineer, when he receives the time sheet, also receives the progress report. By the time sheet he gets the money value of the gang's time, and from the other sheet he gets the actual work; and he should apply the standard rates to the work, and see whether the work done is sufficient for the time charged in the time sheets. The foremen, unfortunately, are uneducated persons and rather illiterate, but in order to keep a further check, as that form does not give all the information required, we expect them to fill up on a form of that description (*handing in a form*) the exact distribution of their men in order to have an additional check.

2086. You have therefore the whole of this hierarchy and this system, and this system of surprise visits, and the rest of it?—Yes.

2087. Are you in your own mind satisfied that you can be sure, for instance, that all the labour charged against you has really been expended, and that there have been so many men for so many days?—Well, my feeling is this: It would require the collusion of three men to evade the system.

2088. That is not quite what I want to know. Do you think as a matter of fact that your system does secure you against any deception of the kind which I am suggesting?—I am not prepared to go so far as that, because, as I say, the whole thing depends on the honesty of individuals. Our feeling is that we ought in the first place to protect the men against themselves, and we ought to protect the State against fraud.

2089. Do you think it would be possible for you to be charged with twice the number of men that were actually employed on a given work; docs

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. KING, and
Major W. A. J. O'MEARA, R.E., C.M.G.

[Continued.]

REVENUE DEPARTMENTS.

On Vote 5.—Post Office Telegraphs—*continued.*Mr. Gibson Bowles—*continued.*

does your system secure you against that, do you think?—I think so.

2090. Do you think your system secures you against being charged for the work of men for a month or two months who have never worked at all in those two months?—If the supervising officers are doing their work I say that is impossible.

2091. Do you think they do their work?—I think so. Of course, we get their reports in. Every Supervising Officer has to keep a diary. The Sectional Engineer, who is the man primarily responsible, sends in a diary to his Superintending Engineer showing exactly how he has been employed, and, of course, if he has not visited the gangs sufficiently frequently his Superintending Engineer is supposed to call him to account. In the same way the Superintending Engineers send in to headquarters their diaries, and if we find they have not been travelling round sufficiently we call them to account.

2092. (To Mr. Kempe.) You have heard what Major O'Meara has been good enough to tell us. I do not know if this is a department in which you would have any test examination of the labour sheets or anything; have you ever practised that?—We examine the labour sheets of all departments.

2093. (To Major O'Meara.) As to the stores, is the Superintending Engineer responsible for the stores issued for work for instance?—Certainly he is responsible that the stores are issued.

2094. For instance, you issue a cable to be laid sometimes; is he responsible that the cable is laid in the place assigned to it, and not otherwise disposed of?—Distinctly.

2095. And the whole chain of men down to the last would be responsible?—As a matter of fact, to take the case of a cable, the Superintending Engineer has to carry out a test; he has to show what the electrical test of each single conductor of that cable was. That test is not carried out by the men who lay the cable; it is carried out by the Supervising Officer. He is personally responsible for carrying out this test.

2096. You sometimes, I think, co-operate, as it were, with the Navy. I think there was a Whale Island new electric cable laid in Portsmouth Harbour; that was not this year I may say. Had you anything to do with that?—No, that has not been laid by us. We have laid cables for the Admiralty, but the Admiralty also lay their own cables.

2097. When you lay cables for the Admiralty, I suppose you charge them with the cost?—Yes, There is a Sub-head of the Vote against which the item is charged.

2098. "Work for other Departments"?—Yes, it is under Sub-head B 4 I think.

2099. On the whole you are satisfied that your system does fairly well secure you that the work charged is really afforded to the Department, and that your stores do reach the destination they are intended for; may I take it that is so?

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REVENUE DEPARTMENTS.

On Vote 5.—Post Office Telegraphs—*continued.*Mr. Gibson Bowles—*continued.*

—Subject to the qualification I have mentioned, that if you could get three dishonest officials to combine, of course, they would upset the system. It must be subject to that qualification. We have to take care that the officials should not be dishonest; we have to check the work in the manner I have described.

2100. Among other things by surprise visits?—Yes.

Mr. Cohen.

2101. There is one question I should like to ask on Sub-head A 11 on page 622. There is an excess of 7,142*l.* on a grant of 6,250*l.* The explanation is "In consequence of the Department's cable ships not being available, it became necessary to hire a cable ship to repair certain cables which had broken down." Does that mean that one cable ship was sufficient to do the work of apparently all the cable ships of the Department?—We have but two cable ships, and very unfortunately they were both laid up at the same time.

2102. This was apparently an expensive contract, the excess was 7,142*l.*?—(Mr. King.) There were seven cables repaired during the time of the charter of that extra ship.

2103. (To Major O'Meara.) Were those two ships of the Department engaged on the same sort of work?—No, one ship was in dock being re-boilered, and the other was also being repaired.

2104. Practically there were none of the Department's ships available?—Exactly.

2105. Is not that evidence that the two ships belonging to the Department are not sufficient, but that there is a liability of one ship generally, and two sometimes, being in dock; and therefore of your being obliged to resort to the hire of other ships involving 7,000*l.* expenditure? The total outlay for your own Department's ships was estimated to be only 6,250*l.*?—Yes. Of course, a ship does not want to be re-boilered every year. One ship being laid up for three months was quite exceptional thing—her boilers were worn out. The other ship happened to have some slight accident at the same time. Of course, under ordinary circumstances we would have had the other ship if she had not had to be re-boilered, and we could have done a great deal of the work.

2106. Experience leads the Department to believe that the two ships are sufficient for their requirements, does it?—Distinctly, because the ships are laid up for part of the year always. The ships are not continuously in commission.

2107. How long a period does this expenditure of 7,142*l.* cover?—About four months, I think.

2108. (To Mr. King.) Then what is the explanation of the hired ship costing 7,142*l.* for four months, while the two ships belonging to the Department were only estimated to cost 6,000*l.* for the whole year?—The 6,250*l.* is simply the maintenance of the cable ships, it does not include anything for purchase.

2109. The hire for four months costs more than

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. KING, and
Major W. A. J. O'MEARA, R.E., C.M.G.

[Continued.]

REVENUE DEPARTMENTS.

On Vote 5.—Post Office Telegraphs—*continued.*Mr. Cohen—*continued.*

than the maintenance of two ships for the whole year?—The difference is not so great as the honourable Member seems to think, because the Post Office staffs on board our cable ships are provided for under Sub-head A 1; but naturally the hiring of a cable ship we have to pay rather heavily for.

2110. We may take it that the opinion of the Department is that the two ships provided at the present time are, as a rule, sufficient for their requirements?—Quite so.

2111. So that this outlay of 7,000*l.* for hire is not a usual occurrence, I suppose?—It is very unusual. To have so many cables breaking down at the same time is very unusual.

Chairman.

2112. (To Mr. Kempe.) With regard to paragraph 4. Are you satisfied with the answer to your queries about these mistakes in the accounts of the officers of the Royal Engineers?—We have not had an opportunity of testing them this year to see how the change is working out. What was submitted to us seemed to be satisfactory.

2113. You are satisfied that improvement may be expected?—Yes. We shall test it later in the year.

Sir Brampton Gurdon.

2114. (To Mr. King.) In regard to Sub-head A 3 I observe the explanation of the under expenditure is "owing to the partial stoppage of telegraph works towards the end of the year the purchase of stores was restricted." Is that owing to the increased use of telephones?—No, the works were stopped not in connection with the increase of telephone business, but because there was so much money expended in connection with telephones under Sub-head A 1 that we were obliged to restrict our expenditure. The Vote was in danger of being exhausted, so that we had to stop our works because we had no more money.

2115. Or to transfer from one Sub-head to another?—Yes. The expenditure on the maintenance of the telegraph system (mainly due to the rapid growth of the telephone system) absorbed much more money than we anticipated, with the result that we had to stop our telegraph works.

REVENUE DEPARTMENTS.

On Vote 5.—Post Office Telegraphs—*continued.*Sir Brampton Gurdon—*continued.*

2116. Will not the increased use of telephones render the telegraph lines fewer than they would have been if the telephone had not been invented?—No, I think not, but perhaps Major O'Meara could speak to that better than I could.

2117. (To Major O'Meara.) Do you think there will be a saving on telegraph works in consequence of the increase of telephone works?—No, I think not. But it depends upon what you call telegraph works. There are a large number of villages which have telegraph circuits, so called, but the apparatus used is the telephone. As regards the public it is the telegraph; the public hand in their messages as telegrams. The difference between the telephone and the telegraph is that with the telephone a member of the public carries out the whole work himself, he carries through his conversation; whereas for a telegram the member of the public hands in his message in the shape of a telegram.

2118. (To Mr. King.) With regard to Sub-head A 6, I observe the explanation of the excess there is that "the expenditure includes certain accounts provided for in the previous year's Vote, which were not completed in time for payment in that year." Was there a corresponding saving in last year?—Yes.

Chairman.

2118* Is there anything you wish to add?—May I mention the question of the amalgamation of our three Votes—Votes 3, 4, and 5. I think the Treasury has revived that question. You considered it last year.

2119. Have you got any paper about it?—Yes, I have a paper.

2120. We cannot discuss it now. You had better put in your paper. It must be circulated before we can form any opinion upon it. Do you wish to express any opinion yourself on behalf of the Department?—No; their view is summarised here in this paper.

2121. Will you hand it in?—Yes. (*The same was handed in, vide Appendix.*)

(Mr. King and Major O'Meara withdrew.)

TREASURY CHEST, 1903-1904.

Chairman.

2122. (To Mr. Kempe.) In regard to paragraph 1 of your Report on this Account I observe on page 10 there is a large sum lost in connection with the raising of money at Hong Kong, namely

Chairman—*continued.*

62,000*l.*, and that at another time there is a profit of 4,000*l.*; is that in consequence of the variation in the value of the dollar?—I should suppose so, but I think that is a question the representative of the Treasury would answer.

2123. (To

2 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. BLAIN.

[Continued.]

TREASURY CHEST, 1903-1904.

Chairman—continued.

2123. (To Mr. *Blain*.) Is it due to that?—Yes, that is the case.

Mr. Goddard.

2124. I observe this is entirely on Bills; do you never send out bullion now?—Never. We always raise the money locally by the sale of Bills.

Mr. Cohen.

2125. Have you any explanation to offer of that loss at Hong Kong?—It is not necessarily a final loss to us. It is the difference between the market rate for the dollar at which we are able to issue our Bills and our own departmental rate, which we fix every quarter for bringing the dollar to account. If the market rate differs from ours we have either a gain or a loss; but sooner or later our fixed rate is brought into line with the actual market rate, and the differences will balance one another in course of time.

2126. I see the balance at Hong Kong was reduced from 71,840*l.* to 28,400*l.*; is there any policy which decides how much is kept at the various stations, or is that a matter of chance?—We ordinarily restrict them to a limit of two months' expenditure. Frequently they do not have more than one month. But a variation like that might be largely accidental. In the one case the Treasury Chest Officer might have just issued Bills to raise money, and in the other case he might be just at the point of issuing them.

2127. Then the Exchequer money would be fed up at a later date?—Yes.

2128. Because I observe the amount that was left there was just half the amount that you had started with?—Yes; but a week or two later it might be down to 10,000*l.*

CIVIL CONTINGENCIES FUND.

Sir Brampton Gurdon.

2129. (To Mr. *Blain*.) With regard to the item of 5,500*l.* on page 7 of this account, do I understand that the compensation paid by France will not cover the awards to sufferers from the "Waima" incident—shall we get back this 5,500*l.* from France?—There were two cases. In the "Waima" case we were awarded 9,000*l.* from France; in the other case, the "Sergent Malamine" case, the French were awarded 6,500*l.* from Great Britain; therefore they paid us the difference, 2,500*l.*; but we had to pay the remainder of the 9,000*l.* to the sufferers in the "Waima" incident.

Chairman.

2130. I observe on pages 4 and 5 as regards the

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TREASURY CHEST, 1903-1904.

Civil Contingencies Fund—*continued*.*Chairman*—continued.

St. Louis Exhibition there is 4,000*l.* on one side and 2,000*l.* on the other. I do not quite understand what that means?—We had advanced 2,000*l.* in the previous year and 2,000*l.* in this year and then we got the whole 4,000*l.* repaid in this year.

CONSOLIDATED FUND.

Chairman.

2131. (To Mr. *Kempe*.) In regard to your report on this account, you are obliged by statute to make all these statements, are you not?—Yes; we have to examine and report on the account under statute.

2132. Your note at the bottom of page 6 answers a question which was asked by Sir Henry Fowler in the House, I think, that the amount paid to the Local Taxation Account is not 1,156,705*l.*, but that has to be supplemented by 9,666,920*l.*, which does not go through the Finance Account but is paid direct?—Yes, that is so.

2133. (To Mr. *Blain*.) I think the estate duty paid to the Local Taxation Accounts amounts to 4,000,000*l.* now?—That is about the amount.

2134. Then there are licences, assessed taxes, and the beer and spirit duties?—Yes.

2135. (To Mr. *Kempe*.) The total capital of the National Debt given here as 762,629,776*l.* has to be supplemented by 31,868,323*l.*, which represents the estimated capital value of the liabilities in respect of Terminable Annuities under special Acts?—Yes, it has to be supplemented by the liabilities.

2136. So that, adding them together it makes 794,498,000*l.*?—Yes.

Mr. Cohen.

2137. (To Mr. *Blain*.) In paragraph 4 it is stated that 662,634*l.* out of the Sinking Fund was applied in the year to the purchase and cancellation of 767,000*l.* consols. I do not quite follow that, because that brings out the average price of just under 87 for consols. It is very satisfactory if that amount of consols was purchased at that price; do you think that was so in that year?—Yes; in 1903-04 consols were as low as that—they were as low as 85.

2138. Then I observe there is a balance unapplied on 31st March of 315,000*l.* What becomes of that balance?—That is applied in the same way, in buying up National Debt for cancellation. Under Statute the National Debt Commissioners are allowed so to apply it at any time within six months after it is issued to them.

2139. But it must be applied to the same purpose, namely the cancellation of debt?—Yes.

Thursday, 8th June 1905.

MEMBERS PRESENT :

Mr. Blake.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.

Mr. Goddard.
Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Pym.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., Mr. WILLIAM BLAIN, called in;
and Examined.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1902-1903.

CLASS I.—PUBLIC WORKS AND BUILDINGS.

ON VOTE 1.

ROYAL PALACES AND MARLBOROUGH HOUSE.

The Honourable Sir SCHOMBERG K. McDONNELL, K.C.B., C.V.O. called in; and Examined

Chairman.

2140. You are Secretary to the Office of Works and the Accounting Officer for this Vote? —Yes.

2141. In regard to paragraph 2 of the Report of the Comptroller and Auditor-General upon this Vote, I observe that Osborne House could not be completed as a Convalescent Home during the year, and consequently there is a saving of about 1,100*l.*, that is due I suppose to the fees of patients not being paid?—Yes, our Medical Advisers insisted upon certain things being done in the matter of equipment and so forth, which took rather longer than we had expected.

2142. With regard to paragraph 3, I see the original estimate for new works at Osborne House was 10,500*l.* and a supplementary vote of 7,300*l.* was taken, making a total provision of 17,800*l.* for this service. The actual expenditure was 21,339*l.*, being an excess of 3,539*l.* That excess has been met by savings out of the provisions for Osborne House under other sub-heads. What were the sub-heads under which you saved in order to meet that, that is not stated here?—The saving was principally on food and medical comforts, because as the House was not in occupation the money was not wanted for those particular things.

2143. For people who were there?—For people who ought to have been there, but were not, owing to the delay in completing the works.

2144. You had taken an estimate for it as an actually working convalescent home?—Yes, and we were delayed in completing it.

2145. It is now completed, is it?—Yes, it has

Chairman—continued.

been in full swing since the 1st of April last year.

2146. With reference to paragraph 4, why did you not proceed with the installation of electric light at Windsor Castle for which you had taken a vote?—That was because we felt some doubt on further examination as to the necessity for that expenditure; whether it was not an unnecessary extravagance, and whether the same results could not be achieved in a different way. We sent down our chief engineer, who, after a prolonged conference with the local people, discovered that the same results could be obtained without that expenditure by greater care and by the adoption of a different system in the works themselves.

2147. Then is a new system going to be inaugurated?—The supply company agreed to virtually put in a new system. We have put in a balancer Booster which will reduce the expenditure very largely, and the extra man we contemplated did not become necessary.

Mr. Goddard.

2148. In regard to the Osborne House expenditure, is that really a final expenditure?—Absolutely.

2149. There is nothing more to follow?—No.

2150. You have got to the end of it at last? —We have got to the end absolutely.

2151. There is one little item on page 6 I should like to refer to; it is an item of 767*l.* for the "Provision of a residence for the Clerk of the Works by adapting the cottage formerly occupied

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
The Hon. Sir S. K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.Class I.—Public Works and Buildings—*cont.*On Vote 1.—Royal Palaces and Marlborough
House.—*continued.*Mr. *Goddard*—*continued.*

occupied by the Palace Turncock." That money was spent without any estimate at all?—We took the money in the 1,000*l.* under item D 1, which appears at the top of that same page 6. But when we looked into the matter more closely we found it would be better and more economical to turn this man out and put the other man into the cottage and improve the cottage, and in doing that we spent 767*l.* instead of 1,000*l.*

2152. Is not this amount of close upon 800*l.* a very expensive figure for merely adapting a cottage?—A good deal of building had to be done to it. It was done by measured work. We put it to tender, and the tenders we got were more than the measured work, so that it was cheaper to do it by scheduled prices.

Mr. *Blake.*

2153. What has become of the turncock?—He has gone elsewhere.

2154. You have not been at any more expense to provide for the turncock?—No.

ON VOTE 2.

ROYAL PARKS AND PLEASURE GARDENS.

Chairman.

2155. (To Sir *Schomburg McDonnell.*) Can you explain to us what has been the change of policy at Kew Gardens, is there some considerable change in the works there. I observe that for the Herbarium they took a vote of 1,400*l.*, and only spent 81*l.*?—Yes, because the money was spent on item 14, "making the old Herbarium fireproof," as appears in the observations there. It was intended to carry out Service 11 first, but after the vote had been passed the Director of the Gardens made such strong recommendations to ourselves and to the Treasury as to the danger if there came an outbreak of fire in the Herbarium, that it was thought we had no other course than to spend the money in making the old Herbarium fireproof rather than spend it on the other item, item 11.

2156. You thought it better to fireproof the old Herbarium?—Yes, because it is full of very valuable contents.

2157. Then with regard to Kensington Gardens new Plant House, for which a vote of 200*l.* was taken and nothing was spent, it is explained that "this work was not proceeded with, other arrangements being under consideration." Would you tell us about that?—It was intended at first to rebuild this Plant House in Kensington Gardens little by little; then it seemed that that was bad policy—that it would be much better to take them away and restore

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CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.Class I.—Public Works and Buildings—*cont.*On Vote 2.—Royal Parks and Pleasure Gardens
—*continued.**Chairman*—*continued.*

the old garden at Kensington Palace as it originally existed, and sweep away the glass houses from Kensington Gardens altogether, and place them in Hyde Park. A place has been provided in Hyde Park for the purpose, and therefore it would be a waste of money to spend this on a building which would soon have to be taken down.

2157*. Did you come to that conclusion after your estimate had been presented?—Yes.

2158. Therefore you could not alter it?—We could not alter it.

2159. That Plant House is just below the Police Barracks, is it not?—Yes.

2160. Is that for the plants along the Park Lane side?—That is for all the plants in Kensington Gardens and Hyde Park and in St. James's Park.

2160*. Then for Bushy Park I observe that a vote of 500*l.* was taken, of which nothing was spent; can you explain why that was?—We wanted to purchase a piece of land near the entrance for the purpose of widening the gates which were rather dangerous, and one of the proprietors was away in America and we could not get at him. After trying all we could to get into touch with him the whole negotiations lapsed. I may say the negotiations are in course of completion now.

2161. Has the matter been ultimately settled now?—I hope it is going to be settled now.

Mr. *Goddard.*

2162. With regard to the new Herbarium at Kew Gardens, is it intended to proceed with that?—Yes, we took in 1904-5 625*l.* for the purpose.

2163. Out of the 1,400*l.*?—Out of the 1,400*l.*

2164. I observe you did not expend the 120*l.* which you took in the Vote for the "provision of extincteurs," what was that due to; how did you protect these buildings from fire?—We thought that if we were fireproofing the old Herbarium and spending a large sum on that, it was perhaps unlikely that we should have an outbreak of fire there, and therefore we let the provision of the extincteurs stand over.

2164*. But were they not for the old Herbarium?—Some were for the old Herbarium and some were for elsewhere.

2165. That does not seem good reason for postponing finding the necessary appliances for the extinction of fire for a place like that?—I do not think it is a very good reason, I admit.

2166. In regard to the Edinburgh Botanical Gardens I observe that 625*l.* was spent on the erection of a Retarding House without any estimate; can you explain why that was?—Yes, the Regius Keeper, Dr. Balfour, made a very strong appeal to have that Retarding House put up, because he thought if it were not put up he would

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would lose a quantity of plants; and on his representation the Treasury sanctioned our putting that up, having savings elsewhere. It ought to have been foreseen before the Estimates of the year went in; it ought to have been known I admit. More importance was attached to this Retarding House than other things; we ought to have provided for it.

2167. It is rather an unfortunate Vote with regard to Estimates; there are a good many items for which you have not estimated at all where money has been spent and others on which there has been an excess of expenditure?—There are some no doubt.

Mr. *Blake.*

2168. Would you kindly explain how it happened that the Director of Kew Gardens did not make this suggestion as to fireproofing the old Herbarium in time for it to be included in the Estimates?—He had frequently suggested it I think, but he was also pressing for the new wing. At the moment we thought he attached more importance to the new wing than to the fireproofing of the old Herbarium; but it turned out afterwards that he did not.

2169. Would it not be well to make quite certain in these things what the view of the Director is before the estimate is submitted than to find out afterwards what is the relative importance of two proposed items. In this case you acted upon a conjecture that the Director attached more importance to one expenditure of about 1,400*l.* than to another of about the same amount and you placed the one instead of the other on the Estimate. We call it conventionally a "saving," because you did not spend the money; but it is not really a saving, but merely a postponement; and public money will have to be used for the other service. Therefore the only expenditure made in respect of these two items is an expenditure which was not presented to Parliament at all, and this difficulty occurs—it is not for the first time and I mention it by way of precaution for the future. Surely great care ought to be used to make quite certain as to what the expenditure is going to be before the Estimates are brought in; so as to avoid proceeding as you did here, to make this expenditure upon the ground of urgent necessity which was unforeseen at the time the Estimates were brought in?—That is absolutely so; all our efforts are directed in that direction. But, of course, the idea in the mind of the Director at that time was that he would get both these.

2170. So soon as the overruling authority held he was not to get both, but only one, I should have thought (if he had not already stated which he would prefer in case he could not get both) you would have found that out at the time before the Estimate was brought in?—It is very unfortunate and I do not defend it. These things do

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happen sometimes. But that is really the cause of the mistake—that the Director thought he would get both and did not sufficiently instruct us as to which he gave the preference.

2171. I think the burden is really off the shoulders of the Director. He asked for both, and when you found you could only give him one, you determined which one it should be without ascertaining which he preferred. I only mention it as an example?—It is unfortunate.

Mr. *Gibson Bowles.*

2172. Are the improvements in St. James's Park connected with the new Mall?—Yes, the Mall.

2173. About how many trees do you think you have cut down?—I cannot speak from memory, but we have planted more than we have cut down.

2174. I observe there is an item for Storey's Gate Lodge; have you ever considered whether the gate across the road there is really necessary; it is a great impediment in coming to the House; would not it be better to make it at that end, as it is at the other end of Birdcage Walk, where there is a lodge but no gate?—I gather it is not the lodge you take exception to but the gate.

2175. Quite so. The gate at Storey's Gate causes many accidents?—I will look into that and see what can be done—it is not very safe, I quite admit.

ON VOTE 4.

MISCELLANEOUS LEGAL BUILDINGS, GREAT
BRITAIN.*Chairman.*

2176. With regard to Sub-head A, in the middle of page 30, I observe there is an item "Croydon, acquisition of site and erection of new courts and offices" for which a vote of 5,500*l.* is taken and none is expended; would you explain why that is?—We have had a prolonged trouble with the plans in that case. I think we have had three sets of drawings made in order to reduce the expenditure. There is considerable dispute as to the nature of the accommodation to be provided, and as to the nature of the building to be put up. The first Commissioner, Lord Windsor, went into it twice. The delay is entirely due to the discussion as to what the plans should be, and what the elevation of the building should be, in order to bring it within the required total.

2177. But do we understand that the site is purchase

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purchased yet, or not?—Yes, the site is purchased, and I think a tender has been accepted. I see we spent 3,875*l.* last year. The work is in progress.

2178. With regard to Sub-head G 1, Glasgow, last year there was the same explanation given for the non-expenditure of the money as is given here this year, namely, that "the accounts were not received from the local authorities." Have you anything to say about that?—We have had a great struggle getting the accounts, and at last we have succeeded. In 1904-5 we have been enabled to spend 5,000*l.* There is always a difficulty in getting local authorities to give their accounts to us.

2179. What is the cause of the delay, is it producing the plans?—No, it is the bills of costs and so forth, it is a difficulty which constantly recurs.

2180. In the year under consideration you spent nothing—500*l.* is taken and nothing spent?—Nothing was spent.

2181. In consequence of that delay?—In consequence of that delay. We are not allowed to spend it until we get their full accounts.

Mr. Goddard.

2182. I cannot help calling attention to the bad estimates under this Vote. I think I am right in saying that on the first page, page 30, of the items of expenditure given there were six which were voted and five items were incurred without any previous estimate or vote. Take the first three for example, there is no vote for those: Birkenhead, additional accommodation where there was an expenditure of 216*l.*; Birmingham, additions and alterations, 596*l.*, and Bow 133*l.*—there are no estimates for any of those. Then lower down there is Stourbridge, 465*l.*, for which there was no estimate?—That is so. In these matters we are rather at the mercy of the local people, and the County Court Judges. If they come and complain to the Lord Chancellor that their courts are bad and inadequate, and it is too late when the Estimates have been passed; we are pressed very much to do it, and we find it very difficult to refuse—they say the business of the court is being hampered by the accommodation being inadequate. You will observe these are not new works, but additions and alterations.

2183. I notice that, but if it is due to something wrong in the building one would have thought that would have been found out long ago, and might easily have been notified so as to put it into the estimate?—The difficulty is that the business has grown very much in County Courts lately, and many of the County Courts consequently become day by day more
G.S.

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inadequate. That is how the difference arises in these cases.

2184. Then as regards these six items voted, one had no expenditure upon it at all and four of the others had a large under expenditure?—Yes. The one with no expenditure is Croydon, which I have answered about already.

2185. Take Cardiff for instance; what is the explanation there?—As to Cardiff, that was the first place where we had delay in the completion of the drawings, and the flooding there gave dreadful trouble. It was the worst building year almost in the memory of man.

2186. I observe there is a note in regard to the flooding that rather points to the fact, does it not, that it was a very bad site for this building?—Not entirely; there was an abnormal flood. It is amalgamated with the Mercantile Marine Office and it must be near the harbour.

2187. An ordinary high tide does not flood this site?—No, this was an abnormal tide.

2188. Then take Leicester?—In the case of Leicester we had a good deal of trouble, and I went down myself to see into it. First we had delay with the site, and then we had some difficulty again with our plans, and then we had on the top of it all that very wet year, and that last thing has held it back more than anything—the extraordinary bad weather.

2189. Would the same answer apply with regard to Pontypridd?—Yes, and also there was the difficulty of labour there. I may say the work at Pontypridd has now been finished.

2190. In the result you have to surrender 7,754*l.*?—Yes.

Mr. Cohen.

2191. With regard to Leicester you say you had some trouble, the trouble seems to have resulted in this, that you completed the work for much less than you expected, because in the description it says, "Acquisition of site and erection of new offices." I take it there is nothing more to be done, if you have erected the offices as well as the site acquired, and all that was accomplished for a little more than half what was estimated originally. You only spent 2,800*l.* out of the 4,900*l.* that you anticipated to spend?—That is so.

2192. Is there anything remaining to be done?—Yes, we are finishing that this year. We are taking 500*l.* to complete it this year.

2193. If you are finishing it, is this description quite accurate: "Acquisition of site and erection of new offices?" Does not "erection" convey the impression that you have completed it?—It is for the erection. That is the way we always put it in.

2194. Does not the expression "erection" as it
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now stands convey the idea that the thing is completed? What remains to be done beyond the erection?—I should have thought the figures would have explained that, because if we take 4,920*l.* for acquisition of site and erection of new offices, it is quite clear that it is for the purchase of the site and erecting the offices, and the building cannot be erected in the same year; it must be spread over a certain number of years, at any rate.

2195. The amount unexpended is stated as 2,091*l.* 1*s.* 10*d.*; that is very circumstantial. One would imagine from that that the erection is completed, at least it conveys that impression to my mind?—Would it be sufficient to meet the honourable member's point if we were to put a different description and say, "Acquisition of site and partial erection of offices," or "commencement of erection."

2196. I think that would be more accurate; it would show that it was not complete, because I submit to you that this description conveys the idea that the thing is finished?—I quite appreciate what you say. We will make some note of the kind I have indicated, so that the Committee may know in what condition the work is.

Mr. Blake.

2197. I suppose in the case of Leicester the vote of 4,920*l.* was the estimate for the acquisition of the site and completing the erection of the new offices—for the whole business?—No; that is the proportion of it which will fall to this particular Vote, because these are composite buildings—there are other offices at Leicester as well as those coming under Miscellaneous Legal Buildings on the same site.

2198. Then you included the acquisition of the site for everything?—For everything.

2199. For the whole of the buildings as well as these?—Yes.

2200. So that the Vote for the "Miscellaneous Legal Buildings" in so far as the acquisition of the site is concerned is charged with a little more perhaps than it ought to be charged, because these buildings are on a site adapted to buildings coming under other Votes?—Yes.

2201. So much with regard to the acquisition of the site. What was the estimate for that?—About 3,300*l.* for the site.

2202. So that the great bulk of this Vote, in so far as it has been expended at any rate, was for the site. The site has not paid for itself altogether, has it?—Yes.

2203. You have only spent 2,828*l.*, and the estimate for the site alone you say was 3,300*l.*—But part of the site is chargeable to other Votes.

2204. But did you take a Vote for it?—On pages 96 and 97 there is a Vote for part of the

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site. The expenditure of 478*l.* there was for the Leicester Probate Registry in respect of this site.

2205. You took two Votes for the site?—Yes.

2206. Then the portion that is in this 4,920*l.* is only the portion for Miscellaneous Legal Buildings?—Yes.

2207. I misunderstood your former answer?—I am sorry I was not more explicit.

2208. I understood you to say that you had taken in this Vote the price of the whole site which was for various buildings; but it appears to be only that portion that belongs to this Vote that you take, and that is charged in this Vote?—That is so.

2209. What I understand the result to be is that whereas you estimated for the site and buildings 4,920*l.*, you spent 2,828*l.* and you expect still to spend 500*l.*?—On this particular building.

2210. To complete it. That would be 3,328*l.* for the completion of that for which 4,920*l.* was estimated; is not that so?—No, because on page 96 we have there item 4, which is part of the same building. The expenditure of 478*l.* there is for site, and the remainder is for the erection of the rest of the building.

2211. There seems to be some confusion. Am I to understand that this Vote which I find here of 4,920*l.* is really all attributable to the cost of the site and the erection of offices for Miscellaneous Legal Buildings?—Yes.

2212. Then the expenditure is limited to that purpose of miscellaneous legal buildings?—Yes.

2213. You have spent 2,828*l.* on the site and offices for Miscellaneous Legal Buildings?—Yes.

2214. And as I understand in answer to Mr. Cohen you said you expected to spend 500*l.* more?—We expect to in 1905-6. In 1904-5 we expected to spend 2,100*l.*, and in 1905-6 we expect to spend 500*l.* to complete.

2215. The completion will involve how much—what will be the whole amount?—It will be between 4,400*l.* and 4,450*l.*

2216. You think for the acquisition of the site and the completion of the building the total will be somewhere about 500*l.* less than the original estimate?—Our original estimate was 4,920*l.*, and our revised estimate 4,450*l.*

2217. As to this other item about which Mr. Goddard asked you, am I right in assuming that (as there is some indication in the observations) whenever these matters are presented too late to be entered in the Estimates and submitted to Parliament a rigorous investigation is made as to the urgent necessity of them before you proceed to act without a Vote as you have done here?—That is absolutely the case; and unless it was very urgent and we were very much pressed to do it by the highest authorities we should not do it.

2218. Unless

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2218. Unless you were pressed to do it as a matter of urgency?—Yes.

2219. You would limit your operations without a vote to cases where the urgency of the public service demands it; then the default on the part of the local persons who suggest the expenditure is to be overlooked to meet a public necessity; but mere ordinary inconvenience, if it is not grave, does not seem to justify the taking of money without a vote, and it leads very much to increasing lapse on the part of local persons in presenting their claims in due time?—Yes, it is in our own interest to do so. We are anxious to restrict it within the very smallest possible limits because there is nothing so inconvenient to us as not to have estimates from these local people rendered in good time so as to put them in the Estimates. I can assure the honourable member it would include nothing but the most urgent cases.

ON VOTE 5.

ART AND SCIENCE BUILDINGS, GREAT BRITAIN.

Chairman.

2220. I observe on page 38 with regard to Bethnal Green Museum there is unexpended 554*l.*, which is rather more than half the sum taken, and the explanation is that "The number of pillars which required renewal proved smaller than had been anticipated." Surely if your architect goes and inspects the pillars he inspects them all; does not he give a proper report upon them?—He did, and he reported that they were in a very unsafe condition, and must all be renewed. But of course it is not always possible to be absolutely certain on these points, and when we removed the first pillar we found the others were in a very much better condition than we expected, and that very many fewer had to be taken out and replaced than he had thought would be necessary.

2221. But I gather you did not think his original estimate was faulty; of course it proved to be wrong, but it was a fault which could not be foreseen?—I think it could not have been foreseen. He told me the pillars were very difficult to examine. He went down several times. I was horrified at the sum of money he thought would be necessary, and I asked him to examine them again, and he went down three times. He said himself they might prove better or they might prove worse, but that it was better to be outside the mark in the matter of estimate than to have an excess upon it.

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ON VOTE 6.

DIPLOMATIC AND CONSULAR BUILDINGS.

Chairman—continued.

2222. On this vote I observe there is a net deficit of 1,442*l.* for which an excess vote will be required. Would not that have been entirely avoided if there had not been nearly 2,000*l.* spent in excess on the erection of students' quarters at Peking; you will see there was 1,744*l.* spent in excess there?—Yes.

2223. Will you explain what was the necessity for that, because of course it was very desirable to avoid an excess upon the Vote?—If we had not expended the money it would have diminished the deficit undoubtedly by that sum; but on the other hand it was very much pressed for, and if we had held it back, I think it would have been a pity and it would have been an expensive business too. I may say they are now finished. I think the deficit arises more from the expenditure at Cairo.

2224. (To Mr. Kempe.) This deficit will have to be mentioned in our Report, will it not, and if we recommend it, voted by the House of Commons?—Yes, it will have to be voted by the House of Commons.

Sir Brampton Gurdon.

2225. Are there any other excesses?—Not in the Civil Services.

Chairman.

2226. (To Sir Schomberg McDonnell.) With regard to Item A 6 for repairs to the Legation buildings at Peking, compensation I presume will be paid now that the private claims have been settled?—We always hope so, but that is rather a matter for the Treasury than for me to speak to.

2227. (To Mr. Blain.) Have they begun to be paid?—The Exchequer is receiving the money. It is being paid by annuities over a long term of years.

2228. With regard to item A 9, did you sanction this purchase of a site for the new Consulate at Cairo?—Yes.

Mr. Goddard.

2229. (To Sir Schomberg McDonnell.) On item A 6, "Pekin Works of Repair and Re-Construction," there is really a saving of 1,800*l.* on an original Vote as I understand of 16,000*l.*?—Yes, there is a saving.

2230. I notice in paragraph 4 of the Comptroller and Auditor-General's Report, he says: "No credit in respect of repayment has as yet appeared in the account." I suppose it will come in, will it not?—Not in our accounts—I do not think it would appear in our accounts, anyhow. I think the Treasury would show it.

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it in their accounts, but it would not appear in ours.

2231. (To Mr. *Kempe*.) What was your meaning in that sentence in your Report?—I meant that we had seen no indication as yet of any repayment of this money. Instead of the words "In the Account," it would have been better to have said "In the Foreign Office Accounts." It would come out of the Indemnity payment.

2232. Has it been paid?—No, it has not been paid yet—or at all events it has not appeared in the latest account rendered to me; it may have been paid since.

2233. (To Sir *Schomberg McDonnell*.) I notice in paragraph 5 the Comptroller and Auditor-General calls attention to an expenditure of 81*l.* for cost of maintenance of Consular buildings at Lorenzo Marques. The Treasury sanctioned the arrangement under which the cost of this establishment was to be borne by the Transvaal Government, I think?—Yes.

2234. What has been done about that payment?—The question is now being debated by the Colonial Office, the Transvaal Government, and the Treasury as to whether they shall not bear all the cost of the Consulate at that place, Lorenzo Marques, in which case we should be relieved of it.

2235. The Transvaal Government took a Grant-in-Aid under Class V., did they not?—Yes.

2236. But they have not fulfilled their obligation to maintain the Consulate; is that what it means?—I could not say that. We were to pay a small sum and we now want to transfer it altogether to the Transvaal Government.

2237. Were you bound to pay it?—What we paid we were bound to pay.

2238. But the cost of the establishment was to be borne by the Transvaal Government, was it not?—That was not absolutely settled. We are trying to make them take it entirely now.

2239. (To Mr. *Blain*.) There was an agreement, was there not?—There was an agreement made by the Treasury with the Colonial Office under which the Transvaal Government was to take the charges of the Consulate, and this country was to pay a contribution corresponding to what the cost of the Consulate had been before the war. But that arrangement had reference only to the charges which were borne on the Diplomatic and Consular Service Vote. The question of building did not enter into the transaction at all; and it was not until the Comptroller and Auditor-General called attention to it, that the question was raised.

2240. But the Treasury was under the impression when they made the grant, that there would be no further expense and that the Transvaal Government would pay all the expense in consideration of receiving that grant? Yes: but when the Comptroller and Auditor-

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General called attention to the fact that the Office of Works was still spending money upon the building the Treasury then made a further bargain with the Transvaal that they would pay a sum of about 80*l.* a year, which had been the cost of the maintenance of the building before the war.

Mr. *Blake*.

2241. Am I correct in understanding that with the regard to the Chinese indemnity it is payable by annuities, and some instalments of the annuities have been received, but they have been allocated to the indemnity of private individuals in the first instance?—That is so.

2242. Am I right in believing that those prior claims have been satisfied and that the future payments of the indemnity will be devoted to these public objects, one of which is before us now?—That is so, as regards the claims of private individuals. But there was another claim which has a sort of intermediate capacity, that of the railways. The Treasury first applied the money in paying off the claims of private individuals; then they proposed to the Railway Administration to go half and half with them in the further instalments until the railway claims have been paid off. That will take about three years, and that process is going on now.

2243. That is the arrangement that has been made; so that one-half of the payment of the indemnity is being applied to discharge the national claim to reparation?—It is coming into the Exchequer.

2244. So that this claim, though not yet in, will get into next year's accounts no doubt?—This claim is a very small item in the total British Government claim. The amounts we have received already far more than cover the amount of this claim.

Mr. *Yerburgh*.

2245. (To Sir *Schomberg McDonnell*.) In paragraph 3 of the Report of the Comptroller and Auditor-General, I observe he gives details of an expenditure of 7,286*l.* on new works in China, Japan and Corea. I observe there the expenditure for a new Consulate at Nanking is 1,806*l.*, while the expenditure at Tamsui for "Additions and alterations at the Consulate" is 1,151*l.*; at Hankow for "Assistants' new quarters" it is 1,145*l.*, and at Shanghai for the "Extension of Consulate, etc." it is 1,095*l.* Comparing the cost of the additions and alterations and the cost of the new Consulate, the cost of alterations seems to be very high. For instance, taking the new Consulate, which one may presume has all the necessary arrangements, why should the cost

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cost of alterations and additions be so high in comparison—take for instance the 1,145*l.* for Assistants new quarters?—It depends entirely upon how much is wanted; that is the only explanation I can offer. It does seem high in proportion, but sometimes these are large alterations, which almost amount to what might be the cost of building a new Consulate at Nanking.

2246. A little lower down at Wuchow, I observe you expended on "New Consulate Officers' servants' quarters" 76*l.*?—That is a very small matter.

2247. The expenditure on Assistants' new quarters at Hankow was 1,145*l.*?—But that is a very different matter. "Assistants' new quarters" are for the officers of the Consulate; these others are native servants' quarters, and there is a vast difference between them.

Mr. Blake.

2248. Is this item of 1,806*l.* for the Nanking new Consulate a balance or is it the whole Vote?—I think it is a balance—I could not be sure.

2249. If it is a balance of course the figure is rather misleading?—Yes. I will ascertain as to that.

Mr. Gibson Bowles.

2250. You have heard the Comptroller and Auditor-General say that you are distinguished this year by being the only Department in the Civil Services responsible for an excess?—That is so, I regret to say.

2251. Of course you know that this Committee has held an excess to be a financial offence?—Yes, I am aware of that.

2252. You will endeavour to avoid it in future?—Yes. May I explain how it arose.

2253. I was going to ask you a question which will perhaps enable you to do so. On page 44 you will see that your total vote was 32,100*l.*; you expended less than the vote 6,245*l.* and more than the vote 7,766*l.*; so that the total of your mistake under expended and over expended is 14,000*l.*, on a vote of 32,000*l.*—that is rather considerable. Now, perhaps, you will give the explanation which you volunteered?—Yes. As regards the Cairo expenditure of 3,400*l.*, the property at Cairo was to be purchased, but the purchase was not to have been concluded until the following year, in order that Parliament might be cognisant of it. There was too much zeal on the part of the local person who borrowed money from a bank, and we had no choice but to pay it in that year. I may say that we in fact (although it has nothing to do with it) made a corresponding saving in the following year of this money which is paid for here. We
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1902-1903.Class I.—Public Works and Buildings.—*cont.*On Vote 6.—Diplomatic and Consular Buildings
—*continued.*Mr. Gibson Bowles—*continued.*

made a surrender in the following year of 3,414*l.*

2254. You would naturally do that. This transaction seems to me to be unusual if not irregular; that an agent of yours in Cairo should borrow money from a bank in order to purchase a property a year before it has been contemplated by Parliament?—The covering authority of the Treasury was given for the purchase of the site, but the bargain ought not to have been concluded until it had been presented to Parliament. It ought to have appeared in the Estimates of the following year.

2255. (To Mr. Blain). I understand Treasury authority was given for this purchase?—Yes.

2256. Were you aware that the money had been borrowed by the local agent?—It was reported to us after the event.

2257. After you had given your sanction?—The Treasury authority was given with the view to payment in the following year.

2258. When you gave it were you aware that the money had been actually borrowed from a bank by an agent, I presume, of the Office of Works out there?—It was reported to the Treasury afterwards.

2259. That is not my point. Were you aware when you gave the Treasury sanction that this money had been already borrowed from the bank by an agent out there, and paid?—It had not been borrowed then, I understand. (Sir Schomburg McDonnell). It had not been borrowed when Treasury sanction was sought. He did it subsequently, that was his blunder.

Chairman.

2260. Was it your agent, or Lord Cromer's agent?—He was our agent.

Mr. Gibson Bowles.

2261. Why is it we want a new Consulate at Cairo, there is Lord Cromer's residence, which is a very large place; he has ceased, nominally, I believe, to be the Consul; he was Consular agent for some time, I believe?—That is rather outside my province, I cannot speak as to what his position is.

2262. That is merely incidental. What I want to know is why it is that a new Consulate was necessary. I should have thought it would be less necessary now. I suppose that is rather a question for the Foreign Office?—It is rather for the Foreign Office than us. We are merely the builders. They ask for what they want, and if the Government determine to have it, that is a matter of policy, it is rather beyond my province.

2263. (To

8 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
The Hon. Sir S. K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.Class I.—Public Works and Buildings—*cont.*

ON VOTE 7.

REVENUE BUILDINGS.

Chairman.

2263. (To Mr. Blain). You will observe that there is a very large excess upon the buildings at Somerset House, 8,800*l.* was voted and 16,460*l.* was expended. I understand that was mainly due to making different alterations in the rooms vacated by the Exchequer and Audit Department?—It is partly that and partly for rooms for the Estate Duty Office, I believe.

2264. Did the Treasury sanction this large excess?—Yes.

2265. You thought it unavoidable?—Yes.

Mr. Goddard.

2266. I want to ask a question with regard to paragraph six of the Comptroller and Auditor-General's Report on this Vote. It appears that in 1902-3 "A sum of 19,000*l.* was provided in the Post Office and Telegraph Section, under a new heading of 'Proposed Works.'" It goes on to say that: "As no separate details of estimated expenditure, and no explanatory observations were given for individual items, either in the Estimates or in the New Works Statement attached to the Appropriation Account, no comparison could be made between grant and expenditure within the year." I notice in the year which we are now dealing with, 1903-4, no less a sum than 185,470*l.* was taken under this heading without any details being given. Why does the Treasury allow such a system as that to creep in? What possible control is there over the expenditure in such a case?—This is only done in the first year of the undertaking of these new buildings. Buildings that are begun in any year out of a lump sum of that kind will always be the subject of a separate estimate in future years until they are finished; but in the first year the position which the Treasury and the Office of Works had to deal with was that the Post Office had a very large number of offices where they said: "We want new buildings, or considerable alterations to the buildings." It is impossible to be certain in advance which of those buildings they will be able to set to work upon in the coming financial year or to what extent they will be able to proceed, because it is not known what sites they will be able to get. In order to facilitate matters as much as possible the Treasury have thought it desirable to allow the Office of Works a fixed sum, by means of which they can make beginnings on such of those offices as they are in a position to start upon during the financial year.

2267. That is to say, the buildings being begun without any estimate being given of them, could not be stopped afterwards?—An estimate is given to the Treasury before any of

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.Class I.—Public Works and Buildings—*cont.*On Vote 7.—Revenue Buildings.—*continued.**Mr. Goddard—continued.*

them are begun, and must be agreed and settled by the Treasury before any of them can be begun.

2268. But there is no estimate presented to Parliament?—An estimate of the total cost of each work is given, but not a detailed estimate of the year's expenditure on each work.

2269. It seems to me it renders the House of Commons absolutely helpless as regards these buildings; they could not refuse the further grants necessary when once the building is begun?—It would be difficult.

2270. They could not do it—they must go on with them?—Yes, I admit that.

2271. You said this was done in the first year—that would be apparently in 1902?—Yes, it was done in regard to the £19,000.

2272. In 1903-4 it is done in regard to 185,470*l.*?—Yes, that was a very exceptional provision allowed by the Treasury after long consultation between them and the Postmaster-General and the Office of Works on a very strong plea from the Postmaster-General, that his works had been starved during the war expenditure. It was represented to the Treasury that the works were very much in arrear, and the Treasury agreed to make this special provision.

2273. But they did not expend it all; they only expended 110,900*l.*?—No doubt the explanation which Sir Schomberg McDonnell has given in other cases would apply to this. The year was a very bad one for building purposes all round.

2274. I notice in the last part of paragraph 6, the Comptroller and Auditor-General draws attention to the fact "that in many cases the expenditure in progress on 'proposed works' has exceeded 1,000*l.*" That is the maximum that is allowed for "minor, unforeseen works," is it not?—These were not supposed to be "minor works"; they are not described as minor works.

2275. You are not supposed to expend 1,000*l.* on any works under this Vote without sanction?—That would only apply in cases of work which had not been specified. In this case all the works were specified, although no definite amounts were provided for each of them.

2276. (To Mr. Kempe). What was your point in making that observation?—The point is that these are not minor works, and any expenditure over 1,000*l.* should have been shown.

2277. But you mention one case here, that of the London Northern District Postal Stores, where as much as 12,564*l.* was expended?—Yes.

2278. Was no detail given of that?—Nothing was given in the estimate to show what was to be spent upon it. Minor works not exceeding 1,000*l.* each may be lumped together without detail. As this is so large an expenditure, the amount ought to have been shown separately in full.

2279. (To

June 1904.]

MR. KEMPE, C.B., MR. GIBSON, C.B., MR. BLAIN, and
The Hon. Sir S. K. McDONNELL, K.C.B., C.V.O.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.Class I.—Public Works and Buildings—*cont.*
On Vote 7.—Revenue Buildings.—*continued.*Mr. Goddard.—*continued.*

2279. (To Sir Schomberg McDonnell.) Was there no possibility of giving this amount—why was it not given?—I cannot say except that it was exactly as Mr. Blain has stated, that the Treasury and the Post Office and the Office of Works met in consultation, and it was decided to adopt this form. In the subsequent years, of course, as regards this particular expenditure, it immediately comes under the Votes in detail.

2280. But that is not a reason for evading the principle of showing what the expenditure is?—I cannot speak as to that.

2281. The Comptroller and Auditor-General points out that this method of doing business offers no opportunity of a comparison being made between grant and expenditure within the year?—(Mr. Blain.) That is so, is the case of the individual work; but the expenditure is shown. This sum of 12,564*l.* is shown by the Accounting Officer in the Appropriation Account on page 67.

2282. But there are no details given of it?—It is simply the amount expended on one particular work. There was no estimate of the year's expenditure on this particular work given in the original estimate, but the Appropriation Account shows the amount actually expended in the first year.

2283. You said just now that the Treasury had come to the conclusion to allow a fixed amount, as I understood you, for this purpose?—A lump sum for the particular year.

2284. What is that amount?—In this year it was 185,000*l.*

2285. Is that going to be the practice—is it going to be as much as that?—No, the year 1903-4 was somewhat exceptional. I have no wish to say that it was absolutely unique, because in the following year, and again in the present year, there are very large sums provided; but the idea of the Treasury is, that it will be a limited proceeding on this scale.

2286. I understand you agree with the position I take up that this is absolutely removing any control of expenditure upon these buildings from the House of Commons?—I admit certainly it is open to that objection; but on the other hand, if the Treasury attempted to show detailed estimates of the initial year's expenditure on every one of these works, and to make some provision to enable them to start, it would be only misleading Parliament; it would be quite impossible to make the results correspond with an estimate of that kind.

03.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.Class. I.—Public Works and Buildings—*cont.*
On Vote 7.—Revenue Buildings.—*continued.*

Chairman.

2287. It represents such a large number of small items at different Post Offices?—Yes. The Treasury would then have been bound probably to ask Parliament for a very much larger Vote than it did, and the Appropriation Account would have differed very much from the estimate.

2288. Do I understand you to say that there must be very exceptional circumstances which would make the Treasury sanction such a large sum as this?—Yes, it was in order to put the Post Office Buildings in the position they ought to have been brought up to a few years earlier if it had not been for the heavy expenditure on the war.

Mr. Cohen.

2289. (To Sir Schomberg McDonnell.) Are the arrears overtaken now?—No, I do not think they can be overtaken for another three years; that is my estimate of about what is wanted.

2290. Will the same thing apply for the next three years?—I hope it will be in much lesser degrees.

ON VOTE 8.

PUBLIC BUILDINGS, GREAT BRITAIN.

Chairman.

2291. With regard to paragraph 4 of the Comptroller and Auditor-General's Report on this Vote, you will observe that the grant for Unforeseen and Minor Works was 9,600*l.*, and the expenditure was 18,723*l.*; would you give us any explanation of that?—There was a very large item for the preparation of premises and for placing the staff of the Charity Commission in Marlborough Hotel of 2,190*l.* That was when they removed suddenly from Gwydyr House; that was an absolutely unforeseen service; that is referred to on page 102. There was a very large item also in the case of the Admiralty, where we had to move furniture, etc., and shift one branch from one place to another; that was an expenditure of 1,241*l.* Then some alterations had to be made to the residences at the Mint; that amounted to 947*l.*; that was another large item.

2292. Was that absolutely necessary to be taken in hand?—I think absolutely; it was done on the change of occupation. The house was not in at all a first-rate state.

Mr. Gibson Bowles.

2293. Was it for cleaning?—Cleaning and providing a bathroom; there were no bathrooms in the House at all. There was also a lift and things of that kind provided.

2294. I

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN,
and The Hon. Sir S. K. McDONNELL, K.C.B., C.V.O.,

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.Class I.—Public Works and Buildings—*cont.*
On Vote 8.—Public Buildings, Great Britain—
*continued.*Mr. *Goddard*—continued.

2294. I see on page 104 there are two rather large items, the first being over 500*l.* for the installation of a vacuum cleaning apparatus—that seems to be a very considerable sum—that a necessary expenditure?—I think to introduce a vacuum cleaner saves money in the long run, because you have less labour, and you get very much better results, just as we have done in the House of Commons.

2295. You say “in the long run,” but there was no urgency for it to be done at once without putting it in the estimate?—I regret to say that the Record Office made it a matter of great urgency. They said their papers and records and books suffered terribly from dust, and that vacuum cleaning was far the most efficient way of doing it, and they pressed for it urgently.

2296. Is the vacuum apparatus only used once a year?—I should think it is used once a week. It is used every day in this House.

2297. Then I observe there is a very large sum of 970*l.* for converting the heating system in the Royal Courts of Justice. I suppose that was a necessary expenditure?—I think so, very much indeed. It was absolutely unavoidable. There were complaints every day until we put the thing right.

2298. But that has been going on for years, has it not?—I do not think originally the apparatus was so well put in.

2299. What I mean is, it is not a new complaint; there was no immediate urgency about it, it might have been put into the estimate?—The complaints became more violent. We were threatened by the fact that the Judges would not be able to sit in Court if we did not do something.

Sir THOMAS W. P. BLOMEFIELD, Bart., called in; and Examined.

ON VOTE 10.

HARBOURS UNDER THE BOARD OF TRADE.

Chairman.

2304. I observe there is a Sub-head B, Spurn Point Works, for which a Vote was taken for 1,200*l.*, and only 428*l.* spent, and it is accounted for by the fact that an expenditure of 700*l.* was not incurred for a new groyne; the Comptroller and Auditor-General says that a similar provision has appeared without any expenditure being incurred in several estimates before; can you give any reason for this?—Yes; at Spurn Point there is a long slip of land projecting into the sea, and it makes a harbour of refuge; the sea is encroaching on the outside of this land, and these groynes have to be made to prevent further encroach-

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

ON VOTE 9.

SURVEYS OF THE UNITED KINGDOM.

Mr. *Goddard*—continued.

2300. (To Mr. *Blain*) I think attention should be called to the second paragraph in the Report of the Comptroller and Auditor-General on this Vote showing the increase in the balances outstanding. The balance outstanding on the 31st March, 1903 was 2,298*l.*; the cost of work in the year for 2,566*l.* and as the amount received in the year was only 1,852*l.* it did not wipe out any of the outstanding balance but rather increased it. How is it proposed to deal with that?—I think there is no question that these amounts are recoverable; they are transactions between two Government Departments. I think it is probable that a large portion of this cost was incurred towards the end of the year, and not recovered within the year.

2301. It is proposed to wipe it out; are you taking a Vote to do that; do you expect an increase in the receipts, or how will you get it?—There will be an increase in the receipts sooner or later.

Chairman.

2302. It is money due from the Irish Land Commissioners for maps mainly, is it not?—Yes.

2303. You are sure to recover it from them?—It will be recovered. I take it, that it was merely an accident that the amount outstanding at the end of the particular year was rather larger than at the end of the previous year.

(Sir *Schomberg McDonnell* withdrew.)*Chairman*—continued.

ments. They are covered with shingle generally, but at various states of the tide they are exposed. You never know where or when they will be exposed, or, until they are exposed, whether they will require renewal. We have taken a Vote of 700*l.* to renew these groynes for some years, without spending it, but in the subsequent year to this we spent the money.

2305. You have to wait until you can see the groyne?—We have to wait until the moment arrives.

2306. You say you have succeeded in spending it in the following year?—We spent it in the following year.

2307. It

8 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN,
Sir T. W. P. BLOMEFIELD.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

Class I.—Public Works and Buildings—*cont.*

On Vote 10.—Harbours under the Board of
Trade—*continued.*

Mr. Gibson Bowles.

2307. It depends upon the weather I suppose?
—Yes.

2308. Sometimes the groyne lasts longer than was anticipated in consequence of the weather being better?—Yes. There are a large number of these groynes; and they are sometimes only exposed at long intervals, and you never know until the groyne happens to be exposed whether it wants renewal or not. You do not know whether they will be exposed—it depends upon the tide and the wind when; the shingle is always shifting upon the coast.

1309. When the shingle goes off them then you can see the groynes—that is what you mean?—Yes.

ON VOTE 11.

PETERHEAD HARBOUR.

Chairman.

2310. (To Mr. Blain.) Could you tell me with regard to this new Sub-head D, "Insurance of Boilers"; has it only just appeared advisable to insure boilers, because most of us do so in our private affairs?—The boilers were insured in previous years, but there was a change of policy. The Admiralty thought they would have them inspected by their own officers, and in this year they made no provision for the payment of insurance; but on considering it further they have decided to go back to the old system of paying for insurance, and therefore they have paid in this year, although they did not provide any money for it.

Sir Brampton Gordon.

2311. It is contrary to your general principle, is it not?—Yes, to our general principle.

Mr. Goddard.

2312. But in the case of boiler insurance it is not a question so much of receiving any compensation for injure, as it is the independent inspection of the boilers that you secure. You get an independent party inspecting the boilers?—Yes.

03.

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CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

CLASS II.

ON VOTE 8.

BOARD OF TRADE.

Chairman.

2313. (To Sir Thomas Blomefield.) This diminution of salaries under this Vote is owing to the transfer of fisheries to the Agricultural Department, is it not?—That is so.

2314. There they are correspondingly increased, I presume?—Yes.

2315. With regard to Sub-head T, I observe there is a Grant-in-Aid of the expenses of the Advisory Committee for Commercial Intelligence; that Grant expires in five years, does not it?—Yes; The vote for the year just expired is the last.

2316. What shall you do then?—Provision is made in the Estimates for the current year for certain items which were covered by this Grant.

2317. It is for travelling allowances to Stockholm, is it not?—It is for commercial missions to foreign countries.

2318. And it can be provided for in another way?—Yes.

Mr. Gibson Bowles.

2319. Is this a Grant-in-Aid?—This is a Grant-in-Aid; but it has been stopped; it was a five years' Grant.

2320. But I see there is an accumulated balance of £2,669?—There was at the end of that year; but the balance unexpended at the end of the last financial year will be handed over to the Exchequer—somewhere about 1,000*l.*

Mr. Goddard.

2321. As regards the Annual Abstract of Labour Statistics, they were issued in 1901, or early in 1902, were they not?—I am afraid I cannot speak as to that.

2322. I wanted to know why there have been no other issue. You have clubbed three years together, and issued statistics for 1902, 1903 and 1904 all together, have you not?—I am afraid I am not acquainted with that.

Mr. Cohen.

2323. I observe there has been expenditure in excess of the Estimate incurred in Sub-head P, "Salaries, Wages, and Allowances," under the Commercial Labour and Statistical Departments, and the explanation given is that "the excess is caused by revision of the staff, and by additional assistance in connection with the work of the Department." Is that in connection with the inquiries into the fiscal investigations that were instituted. Were the various Blue Books that we have received issued by the Board of Trade?—Yes.

2324. Did

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MR. KEMPE, C.B., MR. GIBSON, C.B., MR. BLAIN, and
Sir T. W. P. BLOMEFIELD.

[Continued

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

CLASS II.

On Vote 8.—Board of Trade—*continued.*Mr. *Cohen*—*continued.*

2324. Did that cause the revision of the staff or additions to the staff?—Not entirely, the staff has been increased for other reasons, and for other purposes as well. I do not know how much may have been due to that.

2325. Did not that involve a certain extra expenditure. These investigations are not being continued, are they—are the Papers and Blue Books still being issued?—I believe they are.

Mr. *Goddard.*

2326. In regard to the Advisory Committee, why is this accumulated balance of 2,669*l.* kept in hand?—It was a Grant-in-Aid and in the case a Grant-in-Aid the balance is not surrendered.

Mr. *Gibson Bowles.*

2327. When you say the balance is not surrendered, you would not lay it down as a universal rule that it is never surrendered, would you?—I was under the impression that it was not surrendered.

2328. (To Mr. *Kempe.*) You would not agree, would you, that the balance of a Grant-in-Aid is never surrendered?—Where a Grant-in-Aid is voted for a specific purpose, if the purpose ceases to exist the balance must be handed over.

Mr. *Goddard.*

2329. (To Sir *Thomas Blomefield.*) Could not it be met by not taking so large an estimate in the next year?—The balance at the end of the next year will be surrendered.

ON VOTE 9.

MERCANTILE MARINE SERVICES.

Chairman.

2330. (To Sir *Thomas Blomefield.*) With regard to these claims that have been abandoned, which are referred to in paragraph 4, are they claims against captains of merchantmen for bringing home their men, or what are they?—They are claims against shipowners for repayment of expenses for the relief of distressed seamen.

2331. Are the wages and effects of distressed seamen when not claimed carried to the Appropriations on this Vote?—Yes.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

CLASS II.

On Vote 9.—Mercantile Marine Services—*cont.*Sir *Brampton Gurdon.*

2332. With regard to the defalcation referred to in paragraph 2, you have not been able to find out, I suppose, who were the guilty parties?—We made every inquiry possible and we could not find out.

2333. In paragraph 3 it appears that the balance of a loss arising out of certain defalcations has been charged to the Surplus Interest Seamen's Savings Banks; I do not quite understand why you have a right to charge it to that?—We invest the Seamen's Savings Bank money with the National Debt Commissioners, and they allow us 2½ per cent.; we only pay the seamen depositors 2½ per cent., so that there is a small balance.

2334. Therefore you always make a little profit?—Yes.

2335. Have you the right to do that, do you think. Why have not the seamen the right to the same interest as ordinary depositors in the National Savings Banks?—It is understood when the seaman makes his deposit that he will only get 2½ per cent. He understands that that is one of the conditions.

2336. Ought not that profit to accrue to the National Debt Commissioners?—We pay the expense of the bank out of it.

2337. What bank?—The Seamen's Savings Bank.

2338. You lodge it at the Savings Bank?—Yes, the Seamen's Savings Bank.

2339. It is not put into the ordinary Savings Banks?—No, this is a special bank.

Mr. *Gibson Bowles.*

2340. Then you do make some profit out of the surplus interest?—We do.

2341. It appears that when one of your deputy superintendents of Mercantile Marine runs away with money you charge that on the surplus interest coming from the seamen?—The money belonging to the bank.

2342. The story apparently is that a deputy superintendent of Mercantile Marine runs away with 150*l.* odd?—Yes.

2343. Have you power to charge that on the surplus interest which you have made out of the seamen?—It is only the part of that which related to the Seamen's Savings Bank that we charge on the surplus interest.

2344. There were more defalcations, were there?—Yes, the 17*l.* did not relate to that—it related to Survey fees.

2345. I do not quite follow how you make this profit; do you get 2½ per cent. from the Saving Banks?—From the National Debt Commissioners we get 2½ per cent. and we allow the seamen 2½ per cent.

2346. May I ask, about what is the total amount of your seamen's savings—I do not think it

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Sir T. W. P. BLOMEFIELD.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

CLASS II.

On Vote 9.—Mercantile Marine Service—*cont.*

Mr. Gibson Bowles—continued.

it is shown here?—It does not come under this Vote at all.

2347. Only as regards the surplus interest on the seamen's savings?—It does not come under this Vote.

2348. Yes, surely it does, because there is a charge upon it?—But that is not a voted Service. It does not come out of the Vote; there is no loss to the Vote.

2349. That is true, but there is a loss to the surplus interest?—There is a loss to the surplus interest.

2350. Of course, if you would rather not tell me what the total is, I will not ask you?—I do not mind in the least.

2351. If there is no objection I should like to know what the total amount of the seamen's saving is?—The total amount due to the depositors is 245,647*l.* Perhaps I may hand you this paper which shows the figures (*handing a paper to the honourable Member.*)

2352. You have nothing to do now with the Lighthouse Fund, have you?—I have to do with that fund.

2353. What I mean is, you collect; that there is no vote for it, is there?—There is no vote for it.

(Sir Thomas Blomefield withdrew.)

CLASS I.—(resumed.)

ON VOTE 12.

RATES ON GOVERNMENT PROPERTY.

No questions.

ON VOTE 13.

PUBLIC WORKS AND BUILDINGS—(IRELAND).

Chairman.

2354. (To Mr. Blain.) In this case again there are no details of the expenditure of this large sum for New Works, Alterations, and Additions under Sub-head B. At the foot of page 134 you will see the total 98,113*l.* I suppose those items were submitted to the Treasury and you sanctioned it as a whole?—98,113*l.* is the total of the various items that were given in the Estimates. The detail of that is given on the earlier pages of the account.

O.3.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

CLASS I.—(resumed)—continued.

On Vote 13.—Public Works and Buildings
(Ireland)—*continued.*

Mr. Buchanan.

2355. In regard to these items on pages 122 and 123, which are also dealt with in paragraph 4 of the Report, how comes it that services connected with the Coastguard and Naval Reserve buildings, and various Army and Navy works in Ireland, are charged to this Vote, and not to the Army and Navy works expenditure. For instance, we have here on page 122 a sum asked for for Coastguard and Naval Reserve of 9,000*l.* Under the Navy Estimates, Vote 10, we have hitherto had an item for the same charge, and also an item under the Naval Works Vote. How is it that here under the Civil Service Vote, we are asked to vote a sum of money for what is distinctly a Naval purpose?—It has been dealt with in this way for many years. The Coastguard buildings in Ireland have always been put up by the Board of Works, and the money for the purchase of the site and the cost of the buildings provided for under this Vote—when the sites are rented they are charged on the Naval Votes.

2356. But are there no Irish Coastguard and Naval Reserve Stations charged on the Naval Vote?—Not in regard to the building of them.

2357. Then we have Army items treated apparently in the same way; we have Army works charged to this Vote in Ireland?—Yes, in these cases the Board of Works does the work for both Departments in Ireland.

2358. Turning back to Vote for "Public Buildings," I see there are Admiralty and War Office works charged there?—Yes.

2359. That may be different. Would not it be better that the whole of these Army and Naval works, which are absolutely of a similar character, should be charged to the same account?—When they are done by the Board of Works in Ireland, I think it would be more in accordance with the view of this Committee that they should be borne on the Vote for the Department which is responsible for the expenditure.

2360. But with regard to Coastguard and Naval Reserve works, have we not had an alteration in the charging for them quite recently. They have been put upon the Loans Fund, have they not?—Not the works borne in this Vote. This arrangement has been going on for fifty years for providing for these particular works on the Board of Works Vote, and it is not affected by the change between Naval Votes and the Naval Loans Funds.

2361. Would it not be simpler, as it is of a precisely similar character, that it should all be charged to the same account?—If it were provided for out of Naval Funds, the Admiralty, I presume, would do the work themselves, and would have to keep an establishment over in Ireland which is unnecessary at present, when the Board of Works can do the work for them.

x 2

3262. You.

8 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN,
and Sir HENRY J. L. GRAHAM, K.C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

CLASS I.—(resumed)—continued.

On Vote 13.—Public Works and Buildings—
(Ireland)—continued.

Mr. Cohen.

2362. You said that 98,113*l.* was the total money spent according to details which had been furnished to Parliament; I do not quite follow that. Take for example the grant of 2,500*l.* at Cork to the Harbour Commissioners—that does not seem to have been voted at all?—I am afraid the honourable Member misunderstood me. What I meant was that 98,113*l.* was the total of the items given on this account in the previous pages—carried over from the bottom of page 128.

2363. You said the details making up that total had been furnished to Parliament?—Yes.

2364. I was taking as an instance the item headed "Cork" at page 130. There is a sum of 2,500*l.* spent, which is stated to be a "grant to Harbour Commissioners towards rebuilding of quays in connection with deepening of river and leasing of premises"; was there a vote for that?—That is a case in which there had been no previous vote.

2365. Is that the only one?—There are others. All I meant to convey was that the 98,000*l.* is not a lump sum voted without any detail. The

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.

CLASS I.—(resumed)—continued.

On Vote 13.—Public Works and Buildings—
(Ireland)—continued.

Chairman.

bulk of the items were given in detail although there are one or two cases in which they were not.

2366. If you look at page 127, you will see that some of those items set out there tell you how much has been expended of the estimated cost, and some do not tell you how much has been expended; do not you think in all those cases there ought to be given the expenditure that has already taken place?—I think I am right in saying that where the actual expenditure is not given separately on page 127, the reason is that there has been nothing spent except what is shown on page 126. In some of the cases there had been other expenditure in previous years and in order to show the total that has been expended these figures are shown especially on page 127.

2367. Take the third item on the page "Estimated cost 2,600*l.* Work in progress Provision in 1904-5." We do not know how it is going on at all?—It is shown on page 126 that there was an expenditure of 1,016*l.* in 1903-4.

2368. It would be much simpler if it were shown in all cases?—Yes.

CLASS II.

SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.

ON VOTE I.

HOUSE OF LORDS OFFICERS.

Sir HENRY J. L. GRAHAM, K.C.B., called in; and Examined.

Chairman.

2369. The Fee Fund is about 42,000*l.* is it not?—Yes, I think it is 42,000*l.*

2370. Any deficit which there may be in the amount required for paying the superannuation allowances of the officers of the House of Lords, over and above the interest of the invested Fee Fund is paid out of the fees in the year, is it not?—It is paid out of the fees which come during the year.

2371. Before you pay over the rest to the Treasury?—Yes.

Mr. Gibson Bowles.

2372. May I ask how the total superannuation is settled—is it by Act of Parliament. You have already said that you keep a portion of this Fee Fund for your superannuation grant and the rest you pay over. How is the superan-

Mr. Gibson Bowles—continued.

uation charge settled?—It is settled by a committee of the House, called the House of Lords Offices Committee, who upon each occasion determine the amount of the pension to be paid to the retiring officer.

2373. Upon the occasion of each retirement?—Yes.

2374. Is there any general plan?—They invariably adopt the scale which is adopted generally.

2375. That is the Civil Service Superannuation Scale?—Yes.

(Sir Henry Graham withdrew.)

2376—Is

8 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B. Mr. BLAIN, and
The Rt. Hon. W. G. ELLISON-MACARTNEY.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1902-1903.

ON VOTE 18.

THE MINT, INCLUDING COINAGE.

Rt. Hon. WILLIAM GREY ELLISON-MACARTNEY called in; and Examined.

Chairman.

2376. Is it the fact that no silver bullion was required to be bought in the market during the year under review?—Yes.

2377. It has gone down in demand; there is little demand for it, I understand?—The demand for the issue of silver has shrunk considerably in the last three years.

2378. And no silver bullion at all was bought in that year?—No silver bullion was required that year.

2379. Have you any idea of why the demand for silver has shrunk?—Yes; there were very, very large issues during the war, and some years previously to the Colonies, and also in this country. A great demand was caused by the war. Then again, for many years there had been a practice of issuing to the public through the banks a sum which, averaging over a number of years, represents 400,000*l.* for "Christmas silver," as it is called. That was wholly above the ordinary commercial requirements of the country, and immediately this silver had been used for Christmas gifts it came back, and blocked up the already accumulating stores of silver. Christmas issues were abolished two years ago.

2380. Does that account for the falling off in the amount of Extra Receipts as against Estimate?—Yes; I may explain that the Estimate for this year was prepared before I was appointed, and I subsequently reduced the Estimate, and if I had had more experience (it was within a week or so of my appointment) I should have reduced it further.

2381. It is reduced in the next Estimates, I suppose?—Yes; for instance, in the financial year just concluded we were within a few hundreds of the amount.

Mr. Goddard.

2382. I see you made a saving of 1,274*l.* on "Salaries, Wages, and Allowances"?—Yes.

2383. And it is stated to be "Owing to the smaller out-turn of coin than had been anticipated"?—Yes.

Mr. Goddard—continued.

2384. There was a saving in the form of piece-work, and that sort of thing?—Yes.

2385. I notice at the same time the gratuities and increases of salary are increased; are not the two things rather contradictory?—Not exactly, if I may explain it. The men employed in the Operative Department are paid partially by a fixed weekly rate, and partially by an amount that is determined by the number of coins passed through the Department in the week. If there is a small demand, as there was that year, for silver, the wages of the men of course are lower, and therefore there was not such a draft upon the wages fund. The particular increase that is mentioned there was a gratuity to the Superintendent of the Operative Department for certain work he had done while acting as Acting Deputy Master, during a period of something like six months, in connection with the engraving of His Majesty's Seals, which involved a great deal of laborious superintendence and care, which would not ordinarily have fallen upon him, but would have fallen upon the Deputy Master. That gratuity was sanctioned by the Treasury. There was another small gratuity to a junior clerk in relation to the preparation of the account for the specimen coins. Those were the two gratuities. Those amounted to something under 300*l.* I see altogether it amounted to 375*l.*

2386. That included some increases of salary, too?—Yes, there are numerous normal increases also—there are no special increases.

2387. Does this diminution in the demand on wages mean a reduction of men?—No, it means that they turned out less work. It is always difficult to tell how much will be required.

2388. The staff is practically the same, is it?—The staff is the same. There is a fixed permanent staff.

(Mr. Ellison-Macartney withdrew.)

ON VOTE 2.

HOUSE OF COMMONS OFFICES.

Mr. WILLIAM GIBBONS, C.B., called in; and Examined.

Chairman.

2389. The only question I wanted to ask upon this Vote was with regard to Sub-head I, "Shorthand Writers." There is always a large under-expenditure under that Sub-head?—There is.

O.S.

Chairman—continued.

2390. Do you not think that Vote might well be reduced to 1,000*l.*?—In this year's Estimates it is reduced by 500*l.*

2391. Then it will be 1,000*l.* this year?—For the current financial year it is reduced to 1,000*l.*

2392. In

8 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. GIBBONS, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.CLASS 2—*continued.*On Vote 2.—House of Commons Offices—*cont*Mr. *Goddard.*

2392. In regard to the Appropriations in Aid there is rather a bad estimate there; what is the explanation of that?—It is a very difficult thing to estimate. One does not know till the Session is well advanced what the business is to be, it depends so much upon contentious business before Committees, and what Bills are proceeded with, and what Bills are withdrawn; one must allow a margin.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1902-1903.CLASS 2—*continued.*On Vote 2.—House of Commons Offices—*cont*Mr. *Goddard*—*continued.*

2393. Is it necessary to allow such a large margin as has resulted in this case—over 4,000*l.*?—They might fall short at any moment.

(Mr. *Gibbons withdrew.*)

ON VOTE 3.

TREASURY AND SUBORDINATE DEPARTMENTS.

Chairman.

2394. (To Mr. *Blain.*) With regard to Sub-head R, "Travelling and Incidental Expenses" for Suez Canal (British Directors). I thought we were given evidence to the effect that the travelling expenses were abolished last year?—For part of this year there was one Director on the old system.

2395. Now all the Directors are paid by fees, are they not?—Yes, all are paid by fees now.

2396. But we were told in evidence last year that the travelling expenses were abolished; perhaps that would come into effect after that?

Chairman—*continued.*

—That is the case now; there are no travelling expenses.

Sir *Brampton Gurdon.*

2397. Did it not begin with the last financial year?—It was during 1903-4 that the change took place with regard to one of the Directors.

Chairman.

2398. But it is now abolished, is it not?—Yes, there are no travelling expenses now for any of the Directors.

ON VOTE 4.

HOME OFFICE.

Mr. WILLIAM P. BYRNE, C.B., called in; and Examined.

Chairman.

2399. Is the increase in the Appropriation-in-Aid amounting to 1,600*l.*, which is a considerable sum, due to the larger amount of naturalisation fees?—It was due to that to a large extent in that particular year.

2400. It has nothing to do with the immigration of aliens; it is upon people who are aliens and who choose to apply for naturalisation?—Yes, who chose to be naturalised. There was also in that particular year a considerable increase in the fees on Licences and Charters of Incorporation, and so forth.

Chairman—*continued.*

2401. That would come into the Appropriation-in-Aid?—Yes.

Mr. *Goddard.*

2402. In regard to item W, I see that the rates of salary of some of those Inspectors have been raised; I suppose that was done with Treasury sanction?—Yes, it is always done with Treasury sanction. Those are the Inspectors under the Vivisection Act.

(The witnesses *withdrew.*)

Friday 23rd June 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Blake.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Cameron Corbett.

Mr. Goddard.
Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1903, 1904.

Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in; and Examined.

Chairman.

2403. (To Mr. *Kempe*.) I believe you have prepared a Schedule of the queries which you have addressed to the War Office; we should be glad to have that Schedule with any remarks you wish to make upon it?—I thought it would be convenient for the Committee if I were to prepare a Schedule with copies of all the queries that I have addressed to the War Office on matters which are referred to in my Report in paragraphs 82 to 92. Many of those queries were answered, but the War Office, as will be seen from my Report, withdrew their replies and asked that they might be considered to be suspended until the inquiry they had undertaken had been completed. That inquiry being completed (at least, so far as the Butler Committee goes), I wrote to the War Office a few days ago to ask if they were now in a position to answer any other queries. They have answered a few of them, but the rest they say they must still keep in suspension until this new inquiry has taken place. In this Schedule I have included all our queries and all the answers we have received, and also copies of the further letter which I have written to the War Office, with the further answers which they have sent in consequence. The further answers are very few and of very small importance. The most important queries have not been answered, but are still outstanding. This Schedule which I propose to hand in, contains, as completely as I can get it together, the history of our queries upon which the Report was founded.

Mr. Blake.

2404. Does it include the War Office letters?
—Yes.
03.

Mr. Gibson Bowles.

2404*. Are those all the outstanding queries on the Army Appropriation Accounts as well from last year as this?—Yes. They contain the queries from 1903; they begin with December, 1903; that is the first occasion on which we noticed these irregularities and began to inquire.

Sir Frederick Banbury.

2405. I understood you to say that since your further letter to the War Office they have answered a certain number of these outstanding queries, but the rest have been still postponed?—Yes, they said they must still postpone complete answers to the queries until the new inquiry has taken place. Perhaps I might read the last paragraph of their letter, which is dated yesterday. They say: "The points raised in the remaining queries do not appear to be such as can be disposed of at the present moment, in view of the fact that further investigation has been decided upon by His Majesty's Government; but the Army Council will be glad to supply any further information in their possession which the Comptroller and Auditor-General may consider desirable."

2406. I understand that letter you are also putting in?—Yes.

Chairman.

2407. The Committee will be glad if you will put in those papers; will you hand them in?—Yes. (*Handing in the same*.) I may say I only got these further answers this morning, and, of course, we have had no opportunity of considering the

23 June 1905.]

Mr. KEMPE, C.B., and Mr. GIBSON, C.B.

[Continued.]

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

ARMY APPROPRIATION ACCOUNTS, 1903-1904.

Chairman—continued.

the answers, nor their bearing upon the questions we have left open in our Report.

2408. These papers will be printed, and we shall have a further opportunity of examining you about them later on?—Yes.

Sir Frederick Banbury.

2409. There is one question I should like to ask you; have you ever had any difficulty in ob-

Sir Frederick Banbury—continued.

taining any answer from the War Office?—Not the least. They have always been willing to give me anything I wanted.

Mr. Gibson Bowles.

2410. Have you always obtained answers?—We have not, as appears from this schedule.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-4.

CLASS II.

SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.

ON VOTE 10 (BANKRUPTCY DEPARTMENT OF THE BOARD OF TRADE).

Mr. EDWIN HOUGH, called in; and Examined.

Mr. Goddard.

2411. On page 180 I observe there are two paragraphs in regard to Sub-heads A 2 and B 2, on which there are small surpluses and excesses which are explained as: "Caused partly by appointment of Senior Official Receiver as Comptroller of the Companies Department," at a salary of 1,400*l.* a year. This gentleman's salary was formerly 1,200*l.*, was it not?—Yes.

2412. That was when he was Senior Official Receiver?—Yes.

2413. I do not see any other reference to this matter; is this part of a considerable reorganisation?—Yes, it is. The Department was divided and two Chief Officers were appointed, one for the Bankruptcy Department, and one for the Companies Department. Hitherto the Bankruptcy and Companies Departments had been worked by one officer; now there are two Chief Officers one for each Department and one for the Companies Department.

2414. Will that also involve a separate staff of clerks in each Department?—The staff has been divided between the two Chief Officers.

2415. Will it add materially to the number of those employed?—No, the total estimate for the current year shows an actual saving.

2416. This change of administration has never been submitted to Parliament, has it?—No. It will come before Parliament in connection with the Estimates for the current year.

2417. But that is too late. This was done the year before?—Yes.

Sir Brampton Gardon.

2418. It must have come last year before Parliament, I presume; we must have voted this in the Estimates for 1904-5?—The Estimates for 1904-5 were framed before this alteration was carried out.

Mr. Goddard.

2419. What happened is, as I understand, that in last year's Estimates no such change was suggested?—No.

2420. Or contemplated, perhaps?—Well, it was contemplated, but it was not sanctioned by the Treasury.

2421. Therefore you took the Vote on the same scale as before?—Yes.

2422. Was there any reason why it should not have been submitted to Parliament? You say it comes up in the Estimates of the current year. That is no use, because we cannot alter the estimates of this year?—I may tell the honourable Member that the matter did not receive the final sanction of the Treasury until after the Estimates had been passed. The alteration dated back to the date of the retirement of the late Inspector-General in Bankruptcy by arrangement with the Treasury; but the actual sanction of the Treasury was not obtained until August of last year.

2423. You mean the sanction of the Treasury to the arrangement involving this extra salary?—To the appointment of two officers.

2424. What was the cause for the hurry? Why should not this matter have been put before Parliament through the Estimates in the proper way?—The post was vacant. The late Inspector-General in Bankruptcy retired on 31st January, 1904, and the arrangements consequent upon his retirement were the subject of consideration by a Departmental Committee, who reported to the Board of Trade and to the Treasury. The final sanction of the Treasury was not obtained until August last year.

2425. The whole thing now is completed; you have re-organised the Department?—Yes.

2426. There

23 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. HOUGH. [Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—Salaries and Expenses of Civil Departments—*continued.*

On Vote 10.—Bankruptcy Department of the Board of Trade—*continued.*

Mr. *Goddard*—*continued.*

2426. There is no opportunity of altering it now; it has never been before Parliament?—It has not.

Sir *Robert Mowbray.*

2427. But are these changes of staff of departments ever brought before Parliament except through the Estimates?—No, they are not, except through the Estimates. They are purely administrative changes.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—Salaries and Expenses of Civil Departments—*continued.*

On Vote 10.—Bankruptcy Department of the Board of Trade—*continued.*

Mr. *Goddard.*

2428. I understood you to say that this re-organisation was never brought before the House through the Estimates?—Not last year, but it will be before Parliament in connection with the Estimates for the current year.

2429. That is too late; it cannot be altered now?—It will come before Parliament in connection with the Estimates of the current year.

(Mr. *Hough withdrew.*)

ON VOTE 11.

BOARD OF AGRICULTURE.

Mr. WILLIAM THOMAS TAYLOR, I.S.O., called in; and Examined.

Chairman.

2430. In regard to this Vote. There has been a considerable change, has there not, inasmuch as the Fishery Department has been removed to the Board of Agriculture from the Board of Trade?—That is so.

2431. That, I suppose, is the reason why a considerable sum is added to Sub-head A, "Salaries"?—That is so.

2432. On the other hand, that Sub-head was reduced by a saving on the Swine Fever Staff, was not it?—Yes.

2433. And the saving on death and retirements altogether amounted to 2,007*l.*, which you set against the increase by the Fishery Department being added?—Yes.

2434. What was the amount of the increase by the addition of the Fishery Department; in respect of "Salaries," the increase was 1,533*l.*, was it not?—Yes. I think it was 2,689*l.* altogether.

2435. I want to ask a question with regard to paragraph 6 of the Comptroller and Auditor-General's Report on this vote: You will see it is stated there that the Administration of the Royal Botanic Gardens, Kew, has been transferred from the Office of Works to the Board of Agriculture?—Yes.

2436. But all the works, or at least the new works and the maintenance of the works, are still under the Office of Works?—Yes.

2437. Will not that create rather a dual administration?—I hardly think so.

2438. They must depend upon you as regards maintenance and the necessity for new works?—The Director reports direct to the Office of Works. We hardly do it through the Board of
0.3.

Chairman—*continued.*

Agriculture. The Director goes direct to the Office of Works and tells them what he requires done, and they carry out the works that they think necessary.

2439. Where do you come in? What is your administrative power over it?—We pay all the salaries and wages and all the other maintenance. I may say it was all done in consequence of the Report of the Special Committee, which was appointed, consisting of Sir Thomas Elliott and Treasury Officers.

2440. Do you think that it works well?—I think so. I see no reason to suppose it does not.

2441. It is a very unusual arrangement, is it not?—I can hardly say, for I do not know sufficient about that class of work. With the other gardens, of course, it is not so, but Kew Gardens are very exceptional.

2442. In what respect?—They are an educational establishment in a great measure. You can hardly say that of the other public parks and gardens.

Mr. *Goddard.*

2443. It appears there was a saving of 1,700*l.* upon the Board of Trade Vote from the transfer of the Fishery Department?—Yes.

2444. There is an extra expenditure, is there not, on the Board of Agriculture amounting to 2,730*l.*?—I do not think that is so; we hardly spent so much as the total saving represented.

2445. But as I make it out, under Sub-head A there was an expenditure of 1,533*l.* more; under Sub-head B for travelling expenses there was 179*l.* more; under Sub-head C for "Incidents,"
Y there

23 June 1905.] M. KEMPE, C.B., MR. GIBSON, C.B., MR. BLAIN, MR. TAYLOR, I.S.O., and [Continued.
Mr. MONRO, C.B.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—Salaries and Expenses of Civil
Departments—*continued.*

On Vote 11.—Board of Agriculture—*cont.*

Mr. *Goddard*—*continued.*

there was 111*l.* more; and under Sub-head D, for "Statistics," there was 90*l.* more?—Yes.

2446. On the Board of Trade Vote there was a saving of 1,700*l.* on salaries. I see there were savings under other Sub-heads on the Board of Trade Vote also?—Yes, certainly.

2447. As regards "travelling" and "incidents," there was a saving there, but it does not say in each case whether the saving was due to the same cause. Were those savings due to the transfer of this department?—I think not; I think the savings would be nearly the same. But there is a little re-arrangement of the Staff, and that may have caused it as well.

2448. All I want to get at is this: are we paying more for this Department under the Board of Agriculture than we were under the Board of Trade?—No, I think not—or very slightly more; in regard to salaries it is very little more. I have the figures here which I can give you if it would enlighten you at all.

2449. I see there is rather a heavy amount under Sub-head D, "Statistics," of 906*l.*?—We really have a saving under that.

2450. On the whole, you think there would be not much increase in the expense?—Very little indeed.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—Salaries and Expenses of Civil
Departments—*continued.*

On Vote 11.—Board of Agriculture—*cont.*

Chairman.

2451. With regard to Sub-head F, "Diseases of Animals (Grants in Aid)," that sub-head will not appear again, will it—it has been transferred to the Pleuro-Pneumonia Account, has it not?—Yes, that sub-head will always appear. The money is paid over to the Pleuro-Pneumonia Account under Act of Parliament. There is a separate account.

2452. It is kept at the Bank of England?—Yes.

(*Mr. Taylor withdrew.*)

ON VOTE 14.

"EXCHEQUER AND AUDIT DEPARTMENT."

Chairman.

2453. (To Mr. *Kempe.*) The only excess in your Department, which is on Sub-head B, is in consequence of the Audit of the Army Accounts in South Africa?—Yes.

2454. There is a large saving on Sub-head A, "Salaries"; is that owing to retirements?—Yes; to retirements and changes.

ON VOTE 16.

"LOCAL GOVERNMENT BOARD."

Mr. HORACE CECIL MONRO, C.B., called in; and Examined.

Chairman.

2455. The large saving under this Vote on "Salaries" is owing to retirements, I presume, and people coming on at minimum rates?—Yes.

2456. Does that apply to the "Salaries" of District Auditors as well, on which there is a saving of over 1,000*l.*?—Yes; that is Sub-head L; I think. There were a certain number of retirements in the Audit Staff in the year.

2457. There was a considerable variation from the estimate under "Incidental Expenses," Sub-head S. I suppose that is an item which it is difficult to estimate very closely—what is your explanation of that variation?—There was an extra allowance of 2,000*l.* for that year, because we were afraid of an outbreak of smallpox, and it was expected there would be a great deal more

Chairman—*continued*

vaccine lymph required. As a matter of fact, the smallpox did not come and so there was a saving.

2458. Would that account for this 2,000*l.*?—Yes. This was an allowance of 2,000*l.* which we had had for the last few years—since the last outbreak of smallpox.

Mr. *Goddard.*

2459. I suppose this general amount of the surpluses indicates a better state of health throughout the country?—Possibly.

2460. All the savings are in regard to the travelling of the staff, and so on, who are engaged, I presume, in the inspection of infectious diseases?—Not altogether infectious diseases.

(*Mr. Monro withdrew.*)

2461. To

23 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. PHILPOT. [Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—Salaries and Expenses of Civil
Departments—*continued.*

ON VOTE 19.

“NATIONAL DEBT OFFICE.”

Mr. *Goddard.*

2461. (To Mr. *Blain.*) Does this saving on “Salaries” on this Vote indicate a saving which will be permanent?—No. The office of Assistant Comptroller was twice vacant during the year of this Account, and the salary was saved until a new appointment was made in each case.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—Salaries and Expenses of Civil
Departments—*continued.*

ON VOTE 20.

“PUBLIC RECORD OFFICE.”

Sir Brampton Gurdon.

2462. (To Mr. *Blain.*) I observe under the head of “Extra Remuneration” there are large sums for indexing calendars—is that part of the work of the office?—That is work done out of office hours.

Chairman.

2463. I suppose the Treasury sanctions all these extra remunerations, does it not?—Yes.

ON VOTE 21.

“PUBLIC WORKS LOAN COMMISSION.”

Mr. ROBERT PHILPOT called in; and Examined.

Chairman.

2464. You answer for this Vote?—Yes.

2465. In regard to paragraph 2 of the Comptroller and Auditor-General's Report on this Vote, is it the fact that as much as 13,298*l.* was paid direct to the Exchequer in part payment of the administrative expenses of the various public departments in connection with the Local Loans Fund?—Yes.

2466. That is what we often see in these Reports as paid over by the Public Works Loan Commission?—Yes, that is the balance of fees that has been received over and above the Appropriations in Aid.

2467. That leaves you only 10,680*l.* realised as Appropriations in Aid?—The total amount actually realised was 23,978*l.*, and we paid the

Chairman—continued.

10,000*l.* towards the expenses on the Estimate, and the balance is paid to the Exchequer direct.

2468. That is what I meant. The 13,298*l.* was paid over to the Exchequer, and the 10,000*l.* went as an Appropriation in Aid?—Yes.

Mr. *Goddard.*

2469. Does that mean that there is an underestimate of 13,000*l.*?—No. We arrive at so much on the Estimate; we estimate separately. We estimated the fees at about 20,000*l.*, and they came to 23,000*l.*

(*Mr. Philpot withdrew.*)

ON VOTE 23.

“STATIONERY AND PRINTING.”

Mr. ROWLAND BAILEY, M.V.O., called in; and Examined.

Chairman.

2470. You have succeeded Mr. Digby Pigott, and you are answerable for the Stationery Vote?—Yes.

2471. I observe on Sub-head B there is a saving of 524*l.*, and the explanation given is that “The saving is consequent on a change in the system of dealing with waste, which has largely reduced the quantities of old papers, etc., sent to London to be disposed of.” Would you explain what the change in the system has been?—Up to a comparatively recent date it has been

Chairman—continued.

the practice to send all waste paper from Provincial Government Departments up to London to be dealt with there. A Committee, however, sat upon the question, and it was found that it would be better in every way and far more economical to dispose locally of the provincial waste, and to deal practically only with the London waste in London—hence the saving here.

2472. What was the original object of bringing it up to London?—I believe it was with a view to safeguard anything in the nature of

Y 2

confidential

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CIVIL SERVICE APPROPRIATION ACCOUNTS,
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Class II.—Salaries and Expenses of Civil
Departments—*continued*.

On Vote 23.—“Stationery and Printing”—*cont.*

Chairman—*continued*.

confidential official documents; but it was found that that portion of the question might be dealt with quite satisfactorily in another way without bringing up the whole of the waste.

2473. Then with regard to Sub-head G, you will see there is an under-estimate of over 1,700*l.*?—Yes.

2474. It was stated yesterday that there is a great decrease in the demands for parchment for public offices; do you not think that that estimate of £10,000*l.* might be reduced?—It has been reduced since this account. The saving in this particular year was owing to the fact that provision had been made for the same amount of expenditure as had been found necessary in the previous year; but that estimate was found to be in excess, because the War Office and the Admiralty had not called for so many parchments, which are used by them for discharges and seamen's certificates. The cessation of the war caused a falling off in the demands for parchments.

2475. Will not that in time of peace be always the case?—That is so, and we have reduced our estimate in anticipation of that.

2476. Then if you will look at Sub-head 1, “Small Stores for Public Departments,” there is an excess of 4,499*l.* there, which is explained as being due to a large growth in the demands for typewriters, and maps, and books; was not that demand anticipated?—It could not be anticipated altogether. The War Office at this date was in process of reorganisation, and that reorganisation involved the establishment of a considerable number of district offices. The demand of typewriters was largely consequent upon that. At the same time we received an abnormal number of demands from the Navy.

2477. Can you say for what reason?—That I cannot quite say. I fancy it was simply the general increase in typewriting in the Navy, taking the place of manual labour.

2478. Then under the same head you will observe the Treasury left to this Committee the question of why a Sun-Printing frame was bought for 47*l.* 10*s.*, when one could have been supplied for 6*l.* Have you anything to say about that?—I should like to explain that we do not say the article supplied was not worth 47*l.* 10*s.* As a matter of fact I am bound to say that it was got rather cheaply for 47*l.* 10*s.* We obtained on the specification furnished to us by the Admiralty, another tender, and the tender we got was 75*l.*, showing that the Admiralty got very good value for the money they expended. Our point was that they got an unnecessarily elaborate and expensive article. It was on that point that my predecessor referred the matter to the Treasury, and the Treasury have ruled that it should be brought before your Committee.

2479. But did the Admiralty require this very

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expensive apparatus?—That I cannot say. The officer who ordered it evidently thought that it was desirable. Probably he had not any sufficient knowledge of what Sun-Printing Apparatus generally were capable of, and thought he could not get his requirements supplied except by a thing of this kind.

2480. Who is it decides that an apparatus adequate to meet all the Department's requirements could have been supplied for 6*l.*?—We told the Admiralty the sort of thing we could have supplied for 6*l.*, and they agreed, either tacitly or explicitly, that that would have done. I should add that both the War Office and the Admiralty, at the instance of the Treasury, have agreed to surcharge officers in future if they should order things without adequate authority.

2481. Then it is admitted there was a mistake?—We rather implied that by raising the question before making the repayment to the Admiralty.

2482. (To Mr. Kempe.) What have you to say about this; do you think it ought to be disallowed?—I think we have not enough explanation before us. We have no explanation before us of the reason that governed the Admiralty in buying this expensive instrument.

Sir Frederick Banbury.

2483. (To Mr. Bailey.) I do not quite understand this. Has the Admiralty paid for it?—Yes, the Admiralty paid for it, and we repaid the Admiralty for our Vote.

2484. And has it not been transferred back to the Admiralty?—Yes, it has been transferred to the Admiralty now.

Mr. Goddard

2485. But with this note attached to it?—With this note attached to it—that is to say, we challenged the payment of 47*l.* 10*s.* for this expensive apparatus.

2486. Is there anybody in your Department who should have challenged this expenditure?—We did not know of it until the apparatus was actually bought and the bill sent to us by the Admiralty, for the amount of the bill to be transferred to their Vote.

2487. Then the fault is wholly with the Admiralty; there is no fault with your Department?—None whatever.

Chairman.

2488. Do I understand you to say that an officer who makes a requisition of this kind will be surcharged in future?—Yes; the Admiralty and the War Office have agreed that in a similar case the officer will be surcharged.

2489 Do

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Sir *Frederick Banbury.*

2489. Do I understand the Admiralty bought the instrument, and having bought the instrument they sent you the bill?—Having bought the instrument and paid for the instrument, they sent in the bill for the money to be transferred to their account from ours.

2490. And you said this was an unnecessarily good instrument?—It was unnecessarily costly.

Mr. *Goddard.*

2491. Then you could have refused to pay, could you not?—We went to the Treasury about it before making the payment.

Mr. *Pym.*

2492. (To Mr. *Blain.*) What did the Treasury do?—The Treasury inquired into the circumstances. The Admiralty admitted that their local officer had done wrong in buying this article without instructions from headquarters, and they said they should issue such a warning as would prevent such a thing happening again; and on that the Treasury thought it would be sufficient to allow the payment to be charged to the Stationery Vote, which is the proper place of charge, but with a note to bring the matter before the notice of this Committee.

2493. Then practically the Treasury condoned it?—Yes, in view of the steps taken by the Admiralty to prevent its recurrence.

2494. (To Mr. *Bailey.*) From whom did this officer, whoever it was, buy this instrument in the first instance?—From some local firm, I believe.

2495. He purchased it on his own responsibility?—So far as we know. He assumed he had authority to purchase articles of this kind.

Mr. *Cohen.*

2496. I observe in Sub-head H there is an excess for Binding of 3,907l.; there is no explanation whatever of that rather large excess?—I may say we have found it in practice almost impossible to separate the four Sub-heads mentioned there—E, H, J, and K. It may very well be that one piece of work may be paid for out of two, or three, or even four of those Sub-heads, and therefore it is impossible to forecast exactly the amount of expenditure on any one of those Sub-heads.

2497. In the Explanation on page 221 it only repeats the heading “Binding,” it gives no explanation. When you say that there are a lot of Sub-heads merged together which cannot be distinguished, do you mean by that that there have been decreases on some which account for the increases on others? You will observe on Binding the excess is a large sum of 3,907l.?—That is so.

2498. I do not find that the decreases amount 0.3

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Mr. *Cohen*—*continued.*

to that sum at all?—The decreases on the other Sub-heads amount to 5,500l.

2499. Upon what other Sub-heads?—E, J, and K.

2500. I quite accept that from you, but I do not see that “Binding” is quite the same as “Paper and Printing,” is it?—In the case of any Parliamentary publication, for instance, we have to spend a certain amount on paper, a certain amount on printing, and a certain amount on binding. It is not possible always to tell beforehand the amount that will be expended on any one of those items. In the aggregate we are able to estimate very closely, but on the individual item it is not possible to get a perfectly close estimate.

2501. We may take it that these four items you mentioned, which represent a diminution of 5,500l. practically set off the excess of 3,907l. about which I am asking?—That is so.

Mr. *Goddard.*

2501* Why should binding be in excess, and a saving on the other Sub-heads? I should have thought that they would all go together, and that if there was less printing and publishing there would be less binding?—It rather points to the fact that we have been able to issue publications in a less elaborate binding than we anticipated.

2502. It is an excess, so that it must be the other way—in a more elaborate binding than you anticipated?—Yes, we have had to spend more in binding than we anticipated.

Mr. *Yerburgh.*

2503. (To Mr. *Kempe.*) I observe in the second paragraph of your Report on this Vote you draw attention to certain double repayments. You say: “With reference to paragraph 3 of the Report on this Vote for the year 1902-3, calling attention to certain apparently double repayments on account of the purchase of stationery by the War Office in South Africa, I may observe that these have since been admitted to be double payments”; and below, you say you “have had occasion during the present financial year to take exception to further sums which would appear to have been twice refunded to the War Department under similar conditions.” Have you heard anything further from the Department in connection with these double repayments?—That is a matter that will come into my Report next year. That is merely to show that this does not stand alone; there are other instances of the same kind of charge.

2504. (To Mr. *Bailey.*) Can you say how these double repayments are allowed by your Department?—I should say we have no machinery to check exactly the claims made upon us by the War Department in a case of this kind. The Wa.

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Mr *Yerburgh*—*continued.*

War Department makes certain payments in South Africa and forwards us the bills, which are receipted, and which they had presumably satisfied themselves were due before they paid them; and they ask us to transfer from our Vote to theirs the total amount so paid. It appears that in the year under notice about 70*l.* in all was the sum so paid twice over. Of that I should say we have recovered everything now except 13*l.*, and we are awaiting that now. There is no reason why that should not be recovered also.

2505. It is a matter you could not have protected yourself against?—Hardly.

Chairman.

2506. I think we had the case before us last year; was not that the case where officers made purchases of small amounts of stationery in different places in South Africa, and having paid for it there, it was included in your accounts and you paid it again?—I understand the Army paid everything themselves. We paid nothing directly to the people who supplied the stationery, but we repaid the Army for what they stated they had paid in South Africa.

Sir *Frederick Banbury*.

2507. I understood you to say that you had no machinery for checking whether or not you have paid any sum twice over?—Our machinery is certainly not adequate to meet a case of that kind. It would mean that we should have to create a special staff for going through all the accounts and collating them, and noting those which are similar in amount and in the names of the payees to payments which have already been made.

2508. As I understand, you receive a bill made out, we will say, to Mr. Smith, of 10*l.* paid for something and you pay that?—Yes.

2509. Later on you receive that same bill and you pay it over again without ever looking to see whether you have paid it once before?—If we were making the payment direct to the trader we should be able to check it. That we have various means of doing; we have our order books and ledgers, and so on, and it is almost impossible that we should pay the sum twice over to a trader. But when another Department has made these payments we naturally assume that the Department has satisfied itself that these payments were properly made, and therefore our function is little more than to bear the cost upon our Vote, and relieve their Vote of it.

2510. In view of the fact that errors have arisen under that rather happy-go-lucky system, would it not be advisable to check all payments?—Since this point was raised by the Comptroller and Auditor-General we have, to the best of our

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On Vote 23.—“Stationery and Printing”—*cont*

Sir *Frederick Banbury*—*continued.*

ability, called the attention of the War Office to apparent double payments, and in some cases we have been successful in pointing out to them that a claim made has been already discharged.

2511. Why should not you treat the War Office the same as you do a trader, inasmuch as you have to find the money?—They were altogether exceptional circumstances under which the charges were incurred, and we should have required a special staff of clerks to go through the charges.

2512. Then if the circumstances are exceptional, do you not take any precautions?—Yes, we do; but in the particular case of a department on its own responsibility making a claim for a thing of that kind, and sending us certified bills, it has been assumed in the past that they have examined into it.

2513. (To Mr. *Kempe*.) Do you consider that good bookkeeping?—No, we should not pass it in ordinary circumstances; that is why we called attention to it here. But the steps taken by the Stationery Office, so far as we can tell, appear to be likely to prevent the recurrence of irregularities of this kind. Of course, the war conditions were rather special.

Chairman.

2514. The fact is they had no staff to control these small payments for stationery?—They had none abroad.

(*Mr. Bailey withdrew.*)

ON VOTE 24.

“OFFICE OF WOODS, FORESTS, AND LAND
REVENUES.”

Chairman.

2515. (To Mr. *Blain*.) With regard to item D, “Fees to Counsel,” this estimate was agreed last year to be reduced to 600*l.*, and we were told it would be reduced to that. Now in the year under review 600*l.* would have sufficed but 1,200*l.* was taken, and they have therefore an under-expenditure of 604*l.*—do you know why this was replaced at 1,200*l.*?—If the undertaking to reduce was last year, the estimate for the year under review would have been presented before that.

2516. Is the amount reduced now?—Yes; it is 600*l.* in the present year, and was the same in 1904-5.

2517. There

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CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-1904.

Class II.—Salaries and Expenses of Civil Departments—*continued.*

Mr. JAMES FITZGERALD, called in; and Examined.

ON VOTE 25.

LAND REGISTRY (NEW BUILDINGS) ACT, 1900,
ACCOUNT.

“OFFICE OF WORKS AND PUBLIC BUILDINGS.”

Mr. Cohen.

2517. There is one item on page 229 which I do not understand, an item of 100*l.* to the Chief Engineer “From Admiralty Funds for services in connection with the erection of the Royal Naval College at Osborne.” What were those services? I thought we had had the expenses of the Royal Naval College at Osborne before under some other Vote?—This is an extra payment made to our Chief Engineer on account of first drawing up the plans and then giving a great deal of time out of his ordinary working hours in supervising the work on account of the urgency of the work at Osborne. The buildings had to be put up in a very short time, and he and some other men had to work very late at times, quite apart from their ordinary official hours, upon those duties.

2518. It was not only extra work, but extra hours?—Yes; it was exceptional work.

2519. I suppose if they do the work within the ordinary hours you do not pay them extra for it?—Certainly not.

2520. What is the meaning of the words “From Admiralty Funds”? Does that mean that that did not come under this Vote? It seems to have come under the charge of the Office of Works?—He is our officer, but instead of their getting an outside engineer to do the work they took an expert engineer in our office to draw up the plans, and so on.

2521. I do not understand the meaning of the words “From Admiralty Funds”?—It is a gratuity paid from Admiralty Funds and not from our Vote. The list which the honourable Member is looking at is a list of any extra payments received by our officers from any source.

Sir Frederick Banbury.

2522. I see they are all small amounts, but there are a very large number of extra remunerations on page 228. I suppose there is some provision that overtime shall be as little as possible?—Yes; the question has engaged our attention of late in regard to other items of the same kind, but we find that in the long run it is most economical to give these specifications to the assistant clerks to copy. They can do it in their spare time, and we pay them no more, but rather less, than if it were given to an ordinary law stationer. It is better for the Department; and we think it is the best way to do the work.

2523. It is exceptional work?—Quite exceptional, and outside official hours.

2524. And it does not interfere with their ordinary work in their ordinary hours?—No.

2525. It would have to be done by somebody, and therefore it is given to these men?—Yes; the terms are quite technical, and these men understand the work.

0.3.

Chairman.

2526. (To Mr. Fitzgerald.) I believe you answer also for the Land Registry (New Buildings) Account?—Yes.

2527. The amount authorised to be raised was 265,000*l.*, of which there still remains for further expenditure 97,310*l.*—is that so?—Yes.

2528. What I want to ask is this. In paragraph 2 of the Report upon the Vote, it appears that the expenditure in the year 1903-4 only amounted to 7,775*l.* Why was that amount so small?—That was on buildings. The bulk of the money had gone for the site, in purchasing the freehold.

2529. You only began the building in that year?—Yes.

2530. Where is the building?—Close to Lincoln's Inn Fields.

PUBLIC OFFICES (ACQUISITION OF SITES ACTS)
1895 TO 1897, PUBLIC BUILDINGS EXPENSES
ACT, 1898, AND PUBLIC BUILDINGS EXPENSES
ACT, 1903.

Chairman.

2531. (To Mr. Fitzgerald.) I think you also answer for the Public Offices (Acquisition of Sites) Acts Account?—Yes.

Mr. Cohen.

2532. (To Mr. Blain.) I have a question or two I wish to ask you upon this account. You will observe on page 4 of the Account it says there was 740,000*l.* invested in Treasury Bills which were paid off; so that appears on both sides; that is quite right?—Yes.

2533. But then there is an item of 8,800*l.* “Interest on Treasury Bills.” I cannot account for that. Can you tell me, had those Treasury Bills a currency of twelve months?—They would be not more than twelve months.

2534. But would they be as much as twelve months, or about that time; because one year's interest on the 740,000*l.* would not be represented by the amount which appears here of 8,800*l.*?—The column which the honourable Member is looking at refers to the whole period from 28th May, 1898, to the 31st March, 1904. It is the total sum on Treasury Bills during the whole period.

2535. That increases my difficulty, because the interest upon 740,000*l.* alone would be worth a great deal more than 8,800*l.* If you add a further period, it makes my difficulty the greater. I suppose you cannot answer that point straight off?—This would be the interest for the period, whatever it might be, during which this money was invested in Treasury Bills.

2536. They

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Class II.—Salaries and Expenses of Civil
Departments—*continued*.

On Vote 25.—Public Offices (Acquisition of Sites Acts) 1895 to 1897, Public Buildings Expenses Act, 1898, and Public Buildings Expenses Act, 1903—*continued*.

Sir *Brampton Gurdon*.

2536. They probably would only run for six months, very often?—These investments, were probably made in Treasury Bills pending the opportunity to invest the money in something more permanently. It might be only invested for a few weeks, and then the Bills would be sold again.

Mr. *Cohen*.

2537. In the last paragraph of the Report of the Comptroller and Auditor-General there is a reference to 80,000*l.*, "due to depreciation in securities in which the money granted has been invested." I do not understand what that means, because in the same paragraph it is mentioned that if it had not been for the loss on the realisation of Consols the amount available would have been 1,071,374*l.* It is now only the amount represented by the 784,000*l.* in Consols, or in round figures 706,000*l.* If it would have been (but for the loss on Consols) 1,071,000*l.*, and is now only 706,000*l.*, the loss would be 365,000*l.*; what, therefore, does it mean here by saying that 80,000*l.* only is the amount set off for depreciation in securities?—The sum of 80,000*l.* was arrived at in the year 1903 as an estimate of the ultimate deficiency, after taking into account the interest to be realised on the investments until the money is to be applied to the buildings; that is for some years to come.

2538. I do not quite follow it. If the ultimate loss was to be only 80,000*l.*, and I have already shown that this Committee in their fourth Report of last year showed the loss even then accrued was upwards of 145,000*l.*, to which further sums have to be added in consequence of further losses, I do not quite see how the estimate of 80,000*l.*, wrong *ab initio*, could be considered to represent the whole loss?—All the time, until these securities are finally realised and the money applied, interest is being received on the investment of them, which tends to make good the deficiency.

2539. But a great portion of the securities have been realised, and must be realised, because we find that they paid over to the Commissioners 482,000*l.* in the same account?—The securities held at the close of the period of this Account amounted to 785,000*l.*

2540. And they have realised, and were obliged to realise, 510,000*l.* in Consols, in order to pay the 482,000*l.* which were required for the works?—It is estimated that the money will not all have to be realised until, I think, about 1908.

2541. I do not quite understand how the estimate of 80,000*l.* could be considered at the time as the probable amount of the total depreciation when there had already been incurred a much larger sum in loss representing something like

CIVIL SERVICE APPROPRIATION ACCOUNTS,
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Departments—*continued*.

On Vote 25.—Public Offices (Acquisition of Sites Acts) 1895 to 1897, Public Buildings Expenses Act, 1898, and Public Buildings Expenses Act, 1903—*continued*.

Mr. *Cohen*—*continued*.

365,000*l.* altogether?—That estimate was carefully made by the National Debt Commissioners in 1903; I do not say it will be realised in the result. For one thing, they worked on the assumption that Consols would be sold on the average at the price of 91 and they have never got such a price since that time. But that was the best estimate that they could frame two years ago.

Mr. *Buchanan*.

2542. What would be the total estimated loss now?—On the 31st March last the National Debt Commissioners were under liability to provide out of these funds that had been entrusted to them for investment, 370,000*l.* That is the total amount which they still have to find for the Commissioner of Works, out of the money entrusted to them for investment. On the 31st March they held 365,000*l.* Consols; so that even if they sold those Consols at par they would be 5,000*l.* short; and naturally, Consols cannot be expected to realise par now. But in the meantime they are receiving dividends on these Consols, and it is not possible yet to say accurately what will be the ultimate outcome.

2543. Is not what has taken place this: they were empowered under the Act of 1898 to invest the money in Consols?—Yes.

2544. It was invested at a high figure, and 80,000*l.*, I suppose, represented the difference between the sum paid when the investment was made, and the sum at which Consols stood in 1903; is not that the case?—No; the 80,000*l.* was arrived at by making an estimate of what Consols would have to be sold year by year until the buildings are completed; and assuming that those Consols were sold at 91, but that during the years preceding their sale the dividends on them were received and accumulated, then the ultimate deficiency would be 80,000*l.* The actual results since 1903 have not been quite so favourable, so that possibly 80,000*l.* will not suffice to make good the whole deficit.

2545. You cannot give us a figure as to what the probable loss will be?—If I did it would be liable to be misleading.

Mr. *Cohen*.

2546. I quite appreciate that if you had given an estimate for the future; but I draw your attention to the paragraph in the Comptroller and Auditor-General's Report, which says that if no loss had been incurred on the sale of Consols, the amount now available would be 1,071,000*l.* The amount available is only 784,000*l.* Consols; and if you take them in round figures at 90, that would show a loss as compared with 1,071,000*l.* of 365,174*l.* already realised?

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Class II.—Salaries and Expenditure of Civil
Departments—*continued*.

On Vote 25.—Public Offices (Acquisition of Sites
Acts) 1895 to 1897, Public Buildings Ex-
penses Act, 1898, and Public Buildings
Expenses Act, 1903—*continued*.

Mr. Cohen—*continued*.

realised?—That loss has been partly made good
since by the dividends received.

2547. Very slightly; or when I say very
slightly, it might be 15,000*l.* or 20,000*l.*; but
that is not much when you are dealing with such
figures as I have been referring to. The divi-
dends would be about 20,000*l.* a year. Of
course, what is lost is lost, but if the loss which
is actually incurred represented the figure I
have mentioned, surely in making this estimate
of 80,000*l.*, as representing the depreciation
hereafter, considering you have already started
with a loss of 365,000*l.*, they must be sanguine
if they expect that estimate to be realised, or
even approximately realised?—The amount re-
ceived for dividends and interest is, as stated by
the Comptroller and Auditor-General, 231,444*l.*

Mr. Goddard.

2548. (To Mr. Fitzgerald.) On page 5 the
different buildings are mentioned; are all those
buildings still in progress?—Yes.

2549. Is the Public Offices, Westminster, Site
still in progress?—Oh, yes.

2550. Has there not been some stoppage or
delay there?—No, none. There was an apparent
delay on account of the foundations taking a
very long time. There was not much to show,
but they were working very hard. They are
getting on very fast now—they are on the second
storey.

(Mr. Fitzgerald withdrew.)

ON VOTE 26.

SECRET SERVICE.

Mr. Goddard.

2551. (To Mr. Blain.) I suppose this amount
for the Secret Service is now reduced. Are we
still taking 65,000*l.* for it?—Yes, 65,000*l.*

2552. Is that necessary now. In the last
Account I see you did not spend it by 24,000*l.*?
—The Treasury every year consults with the
Foreign Office, who are the largest recipients of
this money, as to what they think will be neces-
sary, and they have never felt justified in con-
senting to any reduction hitherto.

2553. In view of this large saving in this
Account would not your judgment be affected
the next time the Foreign Office makes applica-
tion to you?—The Treasury do on the strength
0.3

CIVIL SERVICE APPROPRIATION ACCOUNTS,
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Class II.—Salaries and Expenditure of Civil
Departments—*continued*.

On Vote 26—Secret Service—*continued*.

Mr. Goddard—*continued*.

of that urge as strongly as they can on the
Foreign Office the desirability of making a re-
duction; but if the Foreign Office say they are
unable to consent to any reduction, the Treasury
will not press it against them.

2554. Of course, this is one of those accounts
in which nobody has any control except the
Treasury; therefore, if the Treasury cannot see
its way to reduce it there is no other way of
doing it?—The Treasury has no control over the
actual expenditure; that rests with the
ministers entrusted with the particular portion
of the funds. The only business of the Treasury
is to ask Parliament for such an amount as is
likely to be sufficient.

2555. I thought the amount had been raised
to rather a larger amount on account of the war?
—That is so. It was raised from 30,000*l.* to
65,000*l.* in 1900. The Treasury have frequently
pressed to get it reduced since then, but they
have not been able to get the other Departments
to agree.

2556. But was it ever more than 65,000*l.*?—
No, it was never more than that in modern
times.

2557. Then why is it maintained at such a
high rate; that was the rate fixed on because of
additional requirements at the time of the war,
was not it?—It was partly for the war, but it is
not only when we are actually at war that Secret
Service money is required.

2558. I suppose it means that when we are at
war there is more likely to be some difficulty
with foreign powers, and this money is required
for that purpose?—An increase in the Vote was
made on account of the criticism which repre-
sented that the reason we were not prepared for
the South African War was that in previous
years we had not spent sufficient money on
Secret Service.

Sir Robert Mowbray.

2559. It is not only the Foreign Office that is
concerned, there are other Departments as well,
are there not?—The Foreign Office is the Depart-
ment chiefly concerned.

2560. But there are other Departments also?
—There are several other Departments.

Mr. Buchanan.

2561. I presume, of course, that if over a series
of years there was a large surplus constantly
recurring, the Treasury would make representa-
tions to reduce the amount taken?—Yes.

Z

2562. You

23 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN and Mr. MACLEOD, C.B. [*Continued.*]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-1904.

Class II.—Salaries and Expenses of Civil Departments—*continued.*

ON VOTE 27.

OFFICE OF THE SECRETARY FOR SCOTLAND.

Mr. REGINALD MACLEOD, C.B., called in; and Examined.

Chairman.

2562. You remember that last year there was a question about the largely increasing balance which you had in hand under this Vote?—Yes.

2563. I suppose, having regard to this purchase of the Kilmuir Estate at the price of 80,000*l.*, and the law charges, and the purchase money for the estate of Glendale, Skye, you will get through almost the whole of that?—I am afraid so. The balance on April 1st was quite small—I think only about 13,000*l.*—which is barely sufficient for the annual charges.

Mr. Buchanan.

2564. Has the purchase of the Kilmuir Estate been completed?—Yes, it has been completed. The estate is in process of development.

2565. The money has been paid?—The money has been paid.

Sir Brampton Gurdon.

2566. (To Mr. *Blain.*) I do not know whether we ought to ask for any explanation from you in regard to paragraph 6 of the Report, which refers to a certain claim which has been abandoned. I suppose you looked carefully into the question of abandoning the claim and came to the conclusion that you could not do anything more?—Yes.

ON VOTES 28, 29, 30, AND 31.

No Questions.

Mr. Buchanan.

2567. (To Mr. *MacLeod.*) I believe you answer for the Colonisation Board, which comes

Mr. Buchanan—continued.

under another Vote—Vote 1 of Class VII., on page 539?—Yes.

2568. I observe in paragraph 4 of the Comptroller and Auditor-General's Report upon that Vote you have considerably reduced the debt?—That is so. The Secretary to the Board was over in Canada this year, and has reported that he has made an arrangement for practically the final disposal of the balance of the land in the hands of the Board. The Agent in Canada is to receive one year's payment as a gratuity in lieu of further services, and the affairs of the Board in Canada are really wound up, the few outstanding holdings being placed in the hands of a land company, who are to get rid of them upon a percentage system.

2569. Do they pay you anything for taking them over?—They will account to us for the proceeds as they receive them.

2570. They will act as your agents?—They will act as our agents.

2571. So that there will still be an account going on?—Yes, for a short time I am afraid there will be.

2572. Have you any idea of how long it will take?—Land development is proceeding very fast in Canada, and I should think it might be very quickly completed, but I cannot say how long.

2573. That applies to the first part of paragraph 4, does it not, the big sum of which 8,000*l.* was outstanding?—Yes. The Secretary says in his Report: "When it is possible for the Board to render its final report it will be found, I believe, that the greater part of the money advanced by the Treasury, and by private subscribers, will practically have been returned."

Chairman.

2574. Do you answer for any other Vote?—Yes, I answer for the Vote for the National Gallery of Scotland, on page 415.

CLASS IV.

ON VOTE 9.

NATIONAL GALLERY, ETC., SCOTLAND.

Mr. Buchanan.

2575. (To Mr. *MacLeod.*) This Vote in subsequent years will be laid before us in a different form, will it not?—That is the wish of the Secretary for Scotland. He is in hopes that this 2,000*l.* annuity will be charged upon the Consolidated Fund.

2576. Anyhow, it will be indicated that it is not in the same position as an ordinary Estimate from year to year?—Yes.

Chairman.

2577. Why were there no purchases of pictures in this year?—The Board of Manufacturers held their grant of 1,000*l.* a year, which has been given for the last two or three years by the Treasury, until some favourable opportunity of purchase arose; and I may add that on the occasion of Lord Tweedmouth's sale they effected the purchase of Raeburn's portrait by himself at the price of 4,500 guineas, their balance thereby being completely exhausted.

2578. But

23 June 1904.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN and Mr. MACLEOD. [Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class IV—*continued.*

On Vote 9.—National Galleries, etc., Scotland—
—*continued.*

Chairman—*continued.*

2578. But they only obtained 3,000*l.* of that out of this Vote?—There was 3,000*l.* odd as the balance in the hands of the Board of Manufacturers, and certain Scotch gentlemen subscribed a certain amount, and the Treasury covered that sum by an equal addition as a special grant, the picture being of very special interest from a Scotch point of view. Perhaps I ought to say that in former years I have also replied for certain Votes in Class III.

2579. I think we cannot take them to-day. We must ask you to come again on some future occasion?—Certainly.

(Mr. MacLeod withdrew.)

CLASS II.

ON VOTES 32 AND 33.

No questions.

ON VOTE 34.

DEPARTMENT OF AGRICULTURE AND TECHNICAL
INSTRUCTION, IRELAND.

Chairman.

2580. (To Mr. Kempe.) As regards paragraph 10 of your Report on this Vote, have you received any reply from the Treasury with regard to what you ask for there?—Yes, we have had an answer. The mistake is admitted. The Treasury propose to leave the matter as it stands now, because this is the last transaction under the old Act.

2581. That is satisfactory to you?—There will be no loss to the Exchequer.

ON VOTE 36.

LOCAL GOVERNMENT BOARD, IRELAND.

Chairman.

2582. (To Mr. Kempe.) What is the reason why this Castlelake Workhouse (Cashel Union) has got a special sub-head to itself?—That is a matter that has been discussed several times previously in this Committee. The history of it is this. There was a perpetual lease to the Poor Law Commissioners, but no power of surrender, at a high rent—the rent was 150*l.* a year. The Guardians went on paying the rent for some years, until 1885, and then they declined to pay further, because they said it was an excessive 0.3.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II—*continued.*

On Vote 36.—Local Government Board, Ireland
—*continued.*

Chairman—*continued.*

rent, so that the Local Government Board have had to pay it ever since.

2583. And there is no getting out of it?—No. They recover 45*l.* from the Guardians—that is all the rent the Guardians admit.

2584. And this always appears year after year?—It will go on for ever unless something can be done.

2585. Do you say it could not be bought up?—It could be bought up. That is rather a matter for the Treasury.

2586. (To Mr. Blain.) Would not the Treasury do better to buy it up than to allow this to go on?—If satisfactory terms could be obtained for purchase; but the Treasury would not think it satisfactory to pay the full value of the rent.

2587. The Guardians pay 45*l.* now out of the 150*l.*?—Yes.

ON VOTE 38.

PUBLIC WORKS OFFICE, IRELAND.

Chairman.

2588. (To Mr. Kempe.) With regard to the Appropriations in Aid here. I see there is a surplus of 1,000*l.* odd, which is explained as being "occasioned by continued activity on the Land Loans Services"—what does that mean?—I think that is a question the Treasury would answer best.

2589. (To Mr. Blain.) Will you tell us what it means—does it mean fees paid on loans?—Yes, fees received from borrowers.

ON VOTE 40.

VALUATION AND BOUNDARY SURVEY, IRELAND.

Sir Brampton Gardon.

2590. (To Mr. Blain.) As regards the explanation given as to Sub-head B on page 284, can you tell us what the original subsistence allowance was and what it is now?—No; I have no note of the rates for those officers.

2591. We are referred to a Treasury letter which apparently is not published?—It is merely a revision of the rates quite in the ordinary course. There was some slight increase, but I have not got the figures here.

Chairman.

2592. The increase in the Appropriations in Aid of 1,000*l.* appears to be due to the great demand for maps. Is that so?—Yes those maps were required under the Irish Land Act.

z 2

2593 You

23 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. BLAIN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-1904.

CLASS IV.—*continued.*

ON VOTE 8.

PUBLIC EDUCATION, SCOTLAND.

Mr. J. STRUTHERS, C.B., called in; and Examined.

Chairman—continued.

2593. You answer for this Vote?—Yes.

2594. As regards Sub-head B, will you explain why there is this great falling off of 4,000*l.* in the annual grants for day scholars. You will observe that there is a deficiency in expenditure of 4,061*l.* on the "Annual Grants for Day Scholars," and yet there is an excess of expenditure in regard to "Additional Grants to School Boards" of 3,500*l.* Have those two things any connection together?—No, there is no connection between them.

2595. Will you tell us the explanation with regard to the falling off in the annual grants for day scholars?—Of course, that has to be a matter of estimate. It is a very large sum to deal with, and the estimate was a bit out. I think that is all that can be said about it.

2596. The number of scholars was rather less than estimated; is that the explanation?—That is really the explanation.

2597. Then with regard to the other Sub-head,

Chairman—continued.

"Additional Grants to School Boards," have you anything to say about that?—That is also an item which it is extremely difficult to estimate, because it depends upon the rates the Boards have to levy in the different years. This additional grant is paid in respect of the rate raised by the Board in the preceding year.

2598. You mean it varies with the rate?—It varies with the rate. It is a grant for necessitous School Boards (which is a phrase with which the Committee will be more familiar), which used to exist in England, and which still exists in Scotland.

2599. According to the rate, so is the grant?—It is a very complicated system by which an increase in the rate brings an increase in the special grant for necessitous School Boards.

2600. (To Mr. Kempe.) Then this balance of over-payment of 16*l.* will be adjusted by deduction, you say, in paragraph 2?—Yes; it will be a mere matter of adjustment of the account.

Tuesday, 27th June 1905.

MEMBERS PRESENT:

Sir Frederick Banbury
Mr. Gibson Bowles
Mr. Victor Cavendish
Mr. Goddard

Sir Brampton Gurdon
Sir Arthur Hayter
Mr. Herbert Lewis
Sir Robert Mowbray

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-1904.

Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., Mr. WILLIAM BLAIN, called in; and Examined.

CLASS III.

ON VOTE 1.

LAW CHARGES, ENGLAND.

Mr. W. C. B. RAVN, called in; and Examined.

Chairman.

2601. Your estimate on this vote is exceedingly close as between expenditure and grant; there is only about 300*l.* difference in the total?
—Yes.

2602. I see, generally speaking, the "Criminal Prosecutions" have decreased, but there has been an increase under the sub-heads. "Legal Proceedings," "Bankruptcy Proceedings," and "Intervention by King's Proctor in Divorce Cases"?
—That is so. You will remember, perhaps, that last year you asked a question with regard to Sub-head C, as to whether it could not be more closely estimated, and I replied that we could not foresee the possible litigation which other Government Departments might be involved in nor could we foresee what the result of the litigation would be; and I told you we had reduced it to such an extent that we thought it was not safe to reduce it further. But this year, as you will see, there is an excess upon the estimate. There had been for several years a saving upon the estimate.

2603. There is an increase of about 7,000*l.* in the three heads which I mentioned, and a decrease of 6,300*l.* on "Criminal Prosecutions"?—Yes.

2604. Are the fees shown on page 293, fees payable to the Law Officers of the Crown upon their undertaking business for those different Departments?
0.3.

Chairman—continued.

ments?—That is so. The fees for our own Department are shown as a total. The others are fees expended by other Departments and returned to us so that they may be all shown together.

Sir Brampton Gurdon.

2605. This is only in regard to contentious business, I suppose?—Only in regard to contentious business.

Mr. Goddard.

2606. Under Sub-head H, the item for "Salaries," there are 21 officers included in that, are there not?—There are a great deal more than that. There are 21 Establishment officers, but then there is a big staff of professional personal clerks.

2607. There are only 21 officers given in the Estimate?—Those are on the Establishment. You will see an allowance to the Solicitor for personal clerks on the other side of the page, I think.

2608. You say there are more than 21?—Yes.

2609. But they cover all the amount for "Salaries"?—Yes, but I should think there are about 30 to 35 other professional clerks, who are personal
personal

27 June 1905.]

MR. KEMPE, C.B., MR. GIBSON, C.B., MR. BLAIN,
MR. RAVN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 1.—Law Charges, England—
continued.

Mr. Goddard—continued.

personal clerks to the Solicitor; they are clerks who are not entitled to pension.

2610. There are eight clerks starred, or there were eight last year starred, because they are receiving more than their salaries?—No; six only, four of whom are acting as chief clerks—in fact, they are chief clerks with a salary beyond that upon the Establishment which is not pensionable.

2611. Do you mean they act as temporary chief clerks?—No; their title is chief clerk.

2612. Why are they starred?—They are starred because they are first class clerks there and they cannot go beyond 500*l.* in that particular class with a pension.

2613. But here there are two assistant clerks who are starred. One of them is said to be "Assistant King's Proctor," and is in receipt of 1,000*l.*?—He is in receipt of an extra 100*l.* a year, but not from the "Allowance to Solicitor for Clerks."

2614. He is not a chief clerk?—No; he is Assistant King's Proctor.

2615. Then there is "Clerk in Charge of Accounts"; is he a chief clerk?—No. That is myself.

2616. He received 50*l.* from the "Allowance to Solicitor for Clerks."?—Yes.

2617. So far as I can gather there are about eight of these clerks receiving more than their salary. It has been stated for some years on the Estimates that the permanent staff is to be reduced as vacancies occur and replaced by temporary clerks or clerks paid out of the allowance to the Solicitor?—That is so, as regards the permanent staff.

2618. Then these grants have largely increased in the last few years?—Yes, because the professional staff has increased. There is a saving upon "Criminal Prosecutions" of over 6,000*l.* That results from an increase of the professional staff of the Solicitor, which staff conducts a great many more of the cases in the country than used to be done, thereby causing in part this saving upon Sub-head B "Criminal Prosecutions," of over 6,000*l.* When you have got a big staff you must have some supervising, hence a first-class clerk was made a chief clerk.

2619. Taking the allowances for clerks, there has been a very large and steady increase in them?—Yes, by reason of the increase of the staff.

2620. Then are these merely temporary clerks?—They are personal clerks to the solicitor; they are not entitled to any pension.

2621. There has been an addition of one to the permanent staff this year, has there not?—I think not.

2622. The numbers were 20 in 1902-3, and they were 21 in this year under review?—Yes. I am sorry I find I was in error when I said there was not an increase. There is the addition of an Abstractor. When I said there was no addition I was thinking of the senior clerks.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 1.—Law Charges, England—
continued.

Mr. Goddard—continued.

2623. Is he a permanent clerk?—He is an Abstractor.

2624. That does not agree with the note that has been in the Estimates for years that there shall be no increase in the permanent staff, but a decrease?—The explanation of his appointment is that the man was a writer, and that is a class which the Treasury wish to get rid of. He applied to the Treasury for the appointment of an Abstractor, and they sanctioned this man being appointed because they wanted to get rid of the class, as they go on as long as they can write, whereas on the Establishment they stop at the age of 65.

2625. The writer was not on the permanent staff?—Not as a fact, although he was entitled to receive a gratuity under the Civil Service Commissioners, I believe.

2626. I do not quite understand from what you have said what the explanation for this constant growth of allowances for clerks is. Perhaps I have not got my figures right, but, as I make it, in 1901-2 it was 4,720*l.*; in 1902-3 it was 5,250*l.*; and in 1903-4 6,800*l.*; there is a steady increase?—Yes.

2627. How do you account for that?—It is an increase in the number of clerks engaged by the Solicitor. You were speaking of them as "temporary" clerks; I speak of them as "personal" clerks.

2628. Why does he want to engage more clerks?—In consequence of the increase of work.

2629. There is more work, is there?—Yes, the work in connection with the Admiralty and the War Office, and contract work, and so forth, has been constantly increasing to such an extent that it is almost impossible to cope with it. The same applies with regard to "Criminal Prosecutions," but the reason why the expenditure for "Criminal Prosecutions" has not increased is because the work has been done by professional clerks. The procedure in the country used to be to employ agents upon agency charges.

2630. Will that continue to go on and increase?—The object of the Director in increasing the staff of personal clerks is to save expenditure upon the Sub-heads. If he saves more expenditure upon the Sub-heads than is expended upon the additional salaries, it is a net saving to the Exchequer.

2631. In this year's estimate there is a less amount upon the whole Vote for "Law Charges, England"?—Yes, for that simple reason Sub-head B has been reduced by another 3,000*l.*

2632. But on Sub-head H there seems to be an increase of 2,500*l.*?—That is because of the provision for the engagement of further clerks, and also that the personal clerks, who are engaged at a very low salary to commence with, get increases from time to time.

2633. (To

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. RAVN and Mr. ROWE.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-4.Class III.—On Vote 1.—Law Charges, England—
*continued.**Chairman.*

2633. (To Mr. *Blain*.) I thought it was against the understanding with the Treasury that officers should be receiving salaries under two distinct heads?—They are both in the same Vote in this case.

(Mr. *Ravn* withdrew.)

ON VOTE 2.

MISCELLANEOUS LEGAL EXPENSES.

Mr. Goddard.

2634. (To Mr. *Blain*.) As regards the Sub-head "Railway and Canal Commission," can

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 2.—Miscellaneous Legal
Expenses—*continued.**Mr. Goddard—continued.*

you give any information as to the amount of work done by that Commission?—There is a return presented to the House of the number of sittings they hold.

2635. There are two Commissions, are there not, at 3,000*l.* per year each?—Yes, and a Judge in addition.

2636. Can you say at all what work they do for that?—I think the actual number of days they sit is about 40 in the year according to my recollection. Of course, it depends upon the number of cases coming up.

2637. Do they really sit as many days as that: have the Treasury any knowledge how many times the Commission sits?—To some extent, we pay their expenses for the days on which they sit away from London.

2638. The whole of this expenditure is on their salaries, on clerks, and on messengers?—Yes, as regards "Salaries"; the next Sub-head is for travelling expenses.

ON VOTE 3

SUPREME COURT OF JUDICATURE.

Mr. WILLIAM HUGH ROWE called in; and Examined.

Chairman.

2639. In regard to Commissioners of Assize—are they appointed to act judicially at the Assizes?—Yes, they are exactly in the position of Judges.

2640. You do not know beforehand how many there will be, do you?—Not at all. It depends upon the Failure of health of the sitting Judge at the Assizes.

2641. You could not put them under "Salaries?" You must have a separate Sub-head for them, I presume?—They are appointed *ad hoc* at a fee of 500 guineas for the Assizes.

(Mr. *Rowe* withdrew.)

ON VOTE 4.

LAND REGISTRY.

Chairman.

2642. (To Mr. *Blain*.) With regard to Sub-head C, "Examination of Absolute Title," we had the question raised last year, and it appears that out of the sum granted of £6,000 (as it was then) nothing was expended, and this year only 220*l.* has been expended. I wish to ask do you see any necessity for taking so large an estimate as 6,000*l.*?—It has been discontinued as a separate Sub-head since. In the present year that Sub-head disappears from the estimates altogether.

O.3.

Sir Robert Mowbray.

2643. I see on page 301 there is an extra receipt paid over to the Exchequer of 2*l.* 10*s.* 8*d.* and under the heading of "Extra Receipts," on the next page, there are other extra receipts amounting to 67,348*l.* I do not quite understand what the extra receipts on page 302 refer to?—Those receipts are fee stamps which are collected by the Inland Revenue Commissioners.

2644. On the business of the Land Registry?—On the business of the Land Registry; but the fees are paid in the shape of stamps, and therefore received through the Inland Revenue Commissioners. The others are casual cash receipts.

ON VOTE 5.

COUNTY COURTS.

Chairman.

2645. (To Mr. *Blain*.) Can you tell us what has been arranged with regard to the question of the Birmingham Registrars?—I think that question may be regarded as settled now, because the Lord Chancellor, with the concurrence of the Treasury, has issued an Order requiring the Registrars to account for their fees henceforth.

2646. That

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. BLAIN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 5.—County Courts—*cont.**Chairman*—continued.

2646. That is to say, all Registrars are to pay their fees into the Exchequer and receive fixed salaries instead; is that so?—The only difficulty that has arisen is in regard to the Registrars at Birmingham.

2647. They declined to pay their fees in?—They declined to pay their fees in. The Order says that as from 1st January, 1905, Registrars shall account for and pay over to the Treasury once every quarter all fees whatsoever received, and as regards such fees as were received before the above-mentioned date, shall pay over the balance in their hands on that date or otherwise dispose of it as the Treasury shall direct. That Order is in general terms, but the question only arose in the case of the Birmingham Registrars.

2648. They have to conform to that?—I have no doubt they will. The Order was sent out early this month.

Mr. Goddard.

2649. Was that Act passed that was referred to at the meeting of the Committee last year, in question 1915?—Yes.

Chairman.

2650. That Act has not only been passed, but it came into operation on the 1st January, 1904, did it not?—Yes, the Act under which this Order was made.

2651. As I understand, the Birmingham

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 5.—County Courts—*cont.**Chairman*—continued.

Registrars will be paid fixed salaries now?—They have been paid fixed salaries all along; but this question was a question of their using these fees to pay the salaries of the clerks in their employment. Now they will get an increased allowance for the employment of clerks, instead of paying them out of these fees.

Mr. Goddard.

2652. We have never got anything back from them, have we; we did not recover the money in the past? As I understand, arrangements have been made now for the future?—Yes.

2653. You did not get the 1,400*l.* back?—They will have to account for the sums they have received for fees before, and they will have to surrender the balance in their hands.

Sir Frederick Banbury.

2654. Do you mean since the commencement of the Act?—No. The balance in their hands on the 1st January, 1905, this Order requires them to pay over to the Treasury.

2655. Why does it leave out of account the amount in their hands between the 1st January, 1905, and the commencement of the Act?—That is the date of the commencement of the Act.

2656. I thought the Act was in 1904?—It passed in 1903, but came into operation on 1st January, 1905.

ON VOTE 6.

POLICE: ENGLAND AND WALES.

Mr. WILLIAM P. BYRNE, C.B., called in; and Examined.

Chairman.

2657. (To Mr. Kempe.) Do you examine these accounts of the Metropolitan Police Pension Fund, and the Metropolitan Police Fund?—Yes, we examine them both, and the capital accounts too.

2658. Was the examination satisfactory?—Yes, quite satisfactory.

2659. (To Mr. Byrne.) Sub-head B shows a considerable under-expenditure, but that is in consequence of the force being kept rather low, is it not?—Yes; it has been possible for some years to keep the force lower than used to be the case.

2660. Do you propose any alteration in the Estimate on that account?—Yes. In the year following the year now under your consideration the sum taken was reduced to 34,000*l.*, and in the present year it is still further reduced to 31,000*l.*

Mr. Goddard.

2661. With regard to the Pension Fund on page 313, that Fund seems to be getting less and less solvent year by year?—That is necessarily so.

2662. It becomes more and more dependent upon the income from the Metropolitan Police Fund?—Yes, from the Metropolitan Police Fund.

2663. This deficiency of 155,638*l.* for 1902-3 is to be made good out of that Fund?—Yes. It rises by more or less easily foreseen amounts every year.

2664. Has any actuarial calculation ever been made as to the real liability under this Pension Scheme likely to fall upon the Police Fund in future years?—Yes; at the time of the Police Act the Government were in possession of an actuarial calculation as to the burden that was being assumed.

2665 The

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. BYRNE, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 6.—Police: England and
Wales—*continued.*Mr. *Goddard*—*continued.*2665. The growth of this deficiency does not
in any way alarm you?—No.2666. It is only what was reasonably to be
expected?—It is only what was reasonably to
be expected. The deficiency is greater everyCIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 6.—Police: England and
Wales—*continued.*Mr. *Goddard*—*continued.*year by the sum of 5,000*l.* to 20,000*l.* than the
year before, and that will go on for some years
to come.(Mr. *Byrne* withdrew.)

ON VOTE 7.

PRISONS: ENGLAND AND THE COLONIES.

Sir EVELYN JOHN RUGGLES-BRISE, K.C.B., called in; and Examined.

*Chairman.*2667. I observe in Sub-head L there is a
considerable over-expenditure; that is due, is it
not, to escorts for the removal of prisoners being
very frequent?—Quite so.2668. Is that in order to avoid overcrowding?
—That is only one of the items. It is for the
ordinary conveyance of prisoners to prison; it
includes also transfers from prisons to avoid
overcrowding.2669. I suppose it is difficult to bring that
estimate any closer?—It is extraordinarily
difficult, we are not altogether responsible for it;
we do not control it entirely from Whitenall.2670. I know last year you were pretty close
in your estimate?—Yes.2671. In regard to the increase under
"Appropriations in Aid" where there was more
realised by about some 5,000*l.* I see the explana-
tion is that it is due to the "increase of popula-
tion" and also to the heavy orders from the
Government departments—does that mean that
prison labour was used a great deal more than
was anticipated, that they turned out more
work?—Yes, we had more prisoners working,
which results in a larger output.2672. And all that goes to the "Appropriations
in aid"?—Yes, certainly.2673. You supply the Government depart-
ments with the products of the prisoners' labour?
—Yes, our chief trade is with the Government
departments.2674. May I ask with regard to Sub-head S,
"Maintenance of Imperial Convicts," does that
mean convicts in the Colonies?—Yes, it is a relic
of the old system of transportation. In Western
Australia there are certain liabilities still remain-
ing upon the Imperial Government. It is a
gradually dying charge.Sir *Brampton Gurdon*.2675. Are these pensions?—No, it is contribu-
tions to invalids and lunatics, and so on, and
persons who are descendants of the old convicts
in the old transportation days. We used to send
them out up to 1863, and certain liabilities
0.3.Sir *Brampton Gurdon*—*continued.*remain; for instance, it may be that their
children became chargeable to the State, or
became lunatics.2676. Who looks after them?—The Colony,
entirely. They send us the charge every year.*Chairman.*2677. I see in the note at the bottom of page
315 there is a farm which pays itself and gives
an excess of receipt over payment of 1,000*l.*?—
Yes, we have three farms—at Dartmoor, Park-
hurst, and Borstal; those are the three we
reckon as farms, although we have land under
cultivation at other prisons as well.2678. This shows a surplus?—Yes; there is
a net gain according to the accounts, which are
prepared on a scheme approved by the
Treasury.2679. That is not including Broadmoor?—No,
Broadmoor is a separate Vote altogether.Mr. *Herbert Lewis*.2680. With regard to the manufacturing
department, on page 315, I see from the note
the receipts were 153,000*l.*, and the payments
138,000*l.*, leaving a profit of about 15,000*l.*?—
Yes.2681. What charge is made for labour?—We
do not make any charge for labour.

2682. No charge at all?—No.

2683. But does not the profit seem rather a
small one under those circumstances, seeing
that no charge is made for labour?—We do not
practically get anything for our goods from the
Government departments—that is to say, we
only charge five per cent. to cover the cost of
incidentals. We do not pretend to make a
profit out of the Government departments.2684. What goods are manufactured in this
case?—There is an enormous variety, chiefly for
the Admiralty, War Office, and the Post Office,
such things as mail bags and various accoutre-
ments, and things like ship fenders. There is an
enormous list of industries which we carry on.

2 A

2685. If

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Sir E. J. RUGGLES-BRISE, K.C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 7.—Prisons: England and
the Colonies—*continued.*

Sir Frederick Banbury.

2685. If you will turn to the report of the Comptroller and Auditor-General, you will see under Sub-head H with the sanction of the Treasury 25*l.* was paid to two convicts "as compensation for accidents sustained during their sentences." Is it customary to pay compensation when accidents occur?—Yes, we have done so under such circumstances. In the one case the man was assaulted by a fellow prisoner and permanently incapacitated, or apparently so. In

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 7.—Prisons: England and
the Colonies—*continued.*Sir Frederick Banbury—*continued.*

the other case the man hurt his hand in quarrying stone. When it is owing to no default on the part of the prisoner, but is owing to a pure accident, the State generally pay some small compensation.

2686. It is not considered as part of the penalty of his punishment?—No.

(Sir Evelyn Ruggles-Brise withdrew.)

ON VOTE 8.

REFORMATORY AND INDUSTRIAL SCHOOLS, GREAT BRITAIN.

MR. WILLIAM P. BYRNE, C.B., re-called, and further Examined.

Sir Robert Mowbray.

2687. What is the reason for the great falling-off in the number of cases in industrial schools under Sub-head F?—In England, where it was very substantial, it was unexpected, and we could not assign any reason why such a falling-off took place. Members often vary on grounds that we cannot explain afterwards.

2688. These are children committed to these industrial schools?—They are committed to these schools; but they are not convicted before they are committed. They may be charged with an offence or they may be found in dangerous conditions, in bad homes, or in disorderly houses, and so forth; but without being convicted they are sent by order of a magistrate to these schools for a certain term of years—generally until the age of 16 years.

Mr. Gibson Bowles.

2689. But it is imprisonment, practically, is it not?—It does not date from a conviction; they are not convicted children; that is the great distinction between children in an industrial school and children in a reformatory school—a reformatory boy is convicted.

2690. They are deprived of their liberty?—Yes.

Sir Robert Mowbray.

2691. What is the meaning of the phrase "carrying the higher rates of contribution" in the explanation to Sub-head F?—The contribution of the Treasury towards the cost of these schools is given under what is at present a very complicated system, dependent partly on the nature of the schools and partly even on the date when the schools were established. Schools established before 1874 receive a larger amount than those established since that date. It happened that

Sir Robert Mowbray—*continued.*

in this year the diminution of the committals was largely to schools which carried the heavier amount of contribution, and consequently a few children less made a larger difference. There is a Committee now sitting to consider the inconvenience arising from these varying rates.

2692. So far, the substantial fact that you spend a very considerably less sum means that there were fewer children committed to this class of schools?—Yes.

Mr. Goddard.

2693. The societies which manage these schools are voluntary, are they not, as a rule?—A great many of Industrial Schools are run by educational bodies, but the bulk are voluntary.

2694. They are societies that appeal for voluntary subscriptions?—Yes.

2695. But the main part of their income is derived from the grant under this Head?—Yes.

2696. Have you any control over them?—Yes.

2697. I mean any official control?—Yes.

2698. You have Inspectors?—Yes.

2699. The inspectors have made some very bad reports about these schools, have they not?—The standard of the schools has certainly been raised a good deal of recent years. The schools which were inefficient or unsatisfactory in any way have in some cases ceased to exist, and in other cases had their numbers diminished in order that better accommodation might be provided, and so forth. The standard is distinctly rising.

2700. Are the reports of the Inspectors better; do they show a more satisfactory state of things?—Yes, very much so.

2701. When you speak of control, the only control you have is through your Inspectors, I presume?—Yes.

2702. And

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. BYRNE, C.B.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 8.—Reformatory and
Industrial Schools, Great Britain—*continued.*Mr. Goddard—*continued.*

2702. And in making the grant?—Yes.

2703. Has the Department ever withheld the grant on account of anything unsatisfactory in any of these schools?—It has never withheld the total grant, but it has taken what is even a stronger step than, that it has killed a school—that is to say, it has given notice of the withdrawal of the certificate from the school, and that means that at the end of six months the school cannot exist any longer. And it has frequently forbidden them to receive any more admissions until certain improvements have been carried out; so that really the control is effective.

2704. Have they made the payment of the grant conditional upon certain alterations and improvements being made in the school?—I cannot say that that has been done, but we have told them the certificate would be taken away and the school not allowed to continue unless such and such an improvement was made.

2705. You say there has been a material improvement in the condition of these schools?—There is no doubt about that. The Inspectors' reports are very detailed, and they show that in many respects.

Mr. Herbert Lewis.

2706. With regard to Sub-head L, "Day Industrial Schools," could you amplify the Explanation which is given as to that?—That is a recent case of a Day Industrial School at Glasgow, in which, owing, to a very large extent, to the efforts of the Inspectors in pointing out the utility of a Day Industrial School in its result as compared with the more expensive form of boarding school. A trial was made, and the result being successful, the number of committals increased rapidly. They have increased since then, and we have had to take a larger Vote. The increase exhibited here has been more than maintained since.

(Mr. Byrne withdrew.)

ON VOTE 9.

BROADMOOR CRIMINAL LUNATIC ASYLUM.

Chairman.

2707. (To Mr. Blain.) Last year there was a deficit on the Farm Account, but I see this year the farm paid its way?—Yes.

2708. (To Mr. Kempe.) These accounts have been examined by you, have they not?—Yes, the Farm Accounts have been examined by us, and they are quite satisfactory.

O.S.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 9.—Broadmoor Criminal
Lunatic Asylum—*continued.*

Sir Frederick Banbury.

2709. (To Mr. Blain.) In paragraph 2 of the Report of the Comptroller and Auditor-General, it is stated that two gratuities amounting to 110*l.* 9*s.* 3*d.* were paid with the sanction of the Treasury to two female attendants retiring from the service on marriage; it is not the fact that the women giving up their places to be married in that way would have gone whether you paid them that gratuity, or whether you did not; do they not look upon it as a rise?—It is in accordance with the present system.

Sir Brampton Gardon.

2710. Is it not an understanding when they come into the service, that if their retirement is occasioned by marriage they get some sort of gratuity?—It is only in comparatively recent years that this system has been introduced of giving these gratuities on retirement on account of marriage.

2711. The idea is that you get rid of the pension?—There is a saving of course, by their retiring in that way.

Sir Frederick Banbury.

2712. It is a saving to the Government, you say?—Yes, because if they waited longer, and if they retired on the ground of ill-health, they would get a pension.

2713. Then it is hardly accurate to describe it as a gratuity on marriage; it is deferred pay which was given to them on leaving the service; is that so?—It would not be given to them if they did not leave for the purpose of getting married.

2714. That is what I wanted to get at, because the honourable member put it to you that it was something given to them on leaving the service. If they had left the service without being married they would not have received it would they?—If they had left the service on the ground of ill-health.

2715. Supposing they had left the service and gone elsewhere, not being either ill or about to be married, would they have received the gratuity?—They would get nothing.

2716. Then does the Treasury wish to put a premium upon marriage?—Yes.

Mr. Herbert Lewis.

2717. With regard to the Farm Account, how is the Farm Account worked; is the produce reckoned on one side as a receipt and the labour charged on the other side as expenditure?—Yes.

2 A 2

2718. As

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. BLAIN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

CLASS III.—ON VOTE 1

LAW CHARGES AND COURTS OF LAW, SCOTLAND.

Sir Brampton Gurdon.

2718. As regards the explanation of the excess on Sub-head G, on page 328, when it speaks of the "sums recovered," it means recovered from the War Office, I suppose?—No; they would be recovered from the other parties.

2719. But those sums recovered appear in extra receipts?—In the Appropriations in Aid, Sub-head U.

ON VOTE 13.

PRISONS, SCOTLAND.

Chairman.

2720. (To Mr. Blain.) In this Vote you will observe there is a special Sub-head for "Purchase and Adaptation of Property," representing 1,028*l.* This appears to be the adaptation of some quarters for the warders. Why could not that have been included under Sub-head L, "New building and alterations"?—It was a case at Edinburgh where the Prison Commissioners have been trying for years to get accommodation for warders; but owing to the situation of the prison it is very difficult to get any site sufficiently near at hand. They have been at least ten years, I think, gradually getting accommodation for the warders; and in this year certain premises close by the prison were advertised for sale by public auction, and they asked for Treasury sanction to buy them. It had to be done at once.

2721. And they took this money to buy them and adapt them?—Yes; it had to be done at once. At the time the estimates were prepared it was not known that the property would come into the market.

2722. I suppose it will not remain a sub-head by itself?—No, this enabled the last lot of warders at Edinburgh to be accommodated with quarters.

2723. Therefore that sub-head will disappear?—Yes.

ON VOTE 14.

LAW CHARGES AND CRIMINAL PROSECUTIONS
IRELAND.*Chairman.*

2724. (To Mr. Blain.) Last year in Sub-head D there was a considerable under-expenditure, and it was suggested that this Estimate might be reduced; has it now been reduced?—It was reduced last year, and this year again, to 14,000*l.*

2725. It now stands at 14,000*l.*?—Yes.

2726. You observe there is an under-expenditure of 4,000*l.* in the year under review?—The Treasury pressed the Irish Government, and they got it down to as low as the Irish Government thought prudent.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

CLASS III.—ON VOTE 16.

IRISH LAND COMMISSION.

Chairman.

2727. (To Mr. Blain.) This large under-expenditure upon "Salaries" in Sub-head A is in consequence of the passing of the Land Act, is it not?—Yes.

2728. There was a reduction of so many Assistant Commissioners?—Yes.

2729. That would, of course, affect the next Sub-head, "Travelling Expenses," as well?—Yes.

Sir Robert Mowbray.

2730. I see there is an amount of 100*l.* 18*s.* 2*d.* written off as irrecoverable on "Unoccupied Holdings"; what becomes of the unoccupied holdings?—Those are holdings which come into the possession of the Land Commission through the failure of the purchaser to pay his annuity instalments, then the Land Commission place someone in charge to work the holding until they can sell it. Then when it is sold an account is made up of the incomings and outgoings during the period it was worked by the Commissioners themselves, and if there is any loss it is written off and charged to this Vote.

2731. It is charged on the year in which the holding was sold?—This amount of 100*l.* refers to two holdings which were sold in 1903-4, on which there had been a loss, during the time they were in the hands of the Land Commissioners, of 100*l.*

2732. When an unoccupied holding is sold, is it sold on the same terms to the fresh occupier as it was originally sold to the preceding occupier?—Yes; he would be liable to pay the same annuity.

2733. That is considered fixed?—I believe so.

2734. What has to be made up is simply the amount of the annuity which has not been paid during the time the farm remained vacant?—The expenses of management may have been more than could have been recovered.

Mr. Gibson Bowles.

2735. What capital did these holdings represent?—I am afraid I have not got those particulars.

2736. Can you tell me what is the amount of these annuities in respect of them?—No; the information furnished to the Treasury by the Land Commissioners does not include that.

2737. I ask because, if I rightly understand you, this 100*l.* 18*s.* 2*d.* represents not merely the annuities but debits and credits of another kind, and this is the final result arrived at; it does not merely represent the annuities?—No, it is the loss that has been incurred during the period, which may have been several years, for which the holdings were in the hands of the Land Commissioners before they could get a tenant. Only the sums actually disbursed by the Land Commission are here included.

2738. You

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. BLAIN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class III.—On Vote 8.—Reformatory and
Industrial Schools, Great Britain—*continued.**Mr. Gibson Bowles*—continued.2738. You cannot tell me what it represents?
—We have not further details.*Sir Robert Mowbray.*2739. I suppose it is not a very probable
case, but supposing that the caretaker, as we
will call him, put in by the Land Commissioners
was so successful as to make a profit on the
holding, you might have a profit instead of a
loss?—Yes.

ON VOTE 18.

DUBLIN METROPOLITAN POLICE.

*Chairman.*2740. (To Mr. *Blain*.) This large under-
expenditure under Sub-head B is because the
force of the Dublin Metropolitan Police was
nearly 70 men under strength, I think?—Yes.2741. Is there any particular reason to
account for that; is it permanently reduced, do
you think?—It certainly was the intention of
the Irish Government at this period to keep
down the cost of the police force in Ireland as
much as possible.2742. Is there a reduction in the Estimate for
the following year?—I do not think it has been
increased again since then.*Mr. Gibson Bowles.*2743. (To Mr. *Kempe*.) In regard to Sub-
head G "Incidental Expenses," there is an
excess of 349*l* 1*l*s. 6*d*., and the explanation given
is that it partly due to the cost of medals
commemorative of the Royal visit; will you
tell me what portion of it is due to medals?—I
am afraid I have not got that information.2744. (To Mr. *Blain*.) Perhaps you do not
know either?—No, but I think the bulk of it is
due to that.2745. What is the practice in paying for
medals; are these medals distributed in the
name of the Sovereign?—They are distributed
to the force as a memento of the Sovereign's
visit.2746. I should rather like to know the
practice as to the payment for these medals;
are all these commemorative medals put in
under "Incidental Expenses"? They would
come to a large amount each year if they were
all included?—If it was known that any such
occasion would arise they would be estimated for.
In this vote they are paid out of "Incidental
Expenses" because it is an unforeseen expendi-
ture.2747. What I am suggesting is that it is
rather desirable to know what the total cost of
all medals was, so that we might have a medal
estimate?—The Mint Estimate would show that.2748. They are all made at the Mint, are
they?—They are made at the Mint, and this
would be a repayment to the Mint of expenses
incurred at the Mint.

O.C.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class III.—ON VOTE 19.

ROYAL IRISH CONSTABULARY.

*Chairman.*2749. (To Mr. *Blain*.) Last year there was a
question about the cloth for the Royal Irish
Constabulary uniforms being charged in the year
in which it was bought; that has now been
carried out, has it not?—Yes.2750. Therefore that accounts for the saving
here under Sub-head G?—Yes.2751. The considerable saving on the "Pay"
of the Constabulary is also due to keeping them
a considerable number under their strength?—
That is so.*Sir Robert Mowbray.*2752. As regards Sub-head S, "Pensions and
Gratuities," I observe there is a considerable
saving on that Sub-head. I should have thought
Pensions were things you could estimate pretty
accurately?—There are a very large number of
pensioners in this force, and you cannot foresee
either the number who retire during the year or
the number of old pensioners who die during
the year. Last year I think there was a still
larger excess over the provision.2753. I suppose the average is not big enough
to really get an actuarial calculation?—Not for
one year.*Chairman.*2754. In this case do you know whether they
propose a reduction in the Estimate for the pay;
has it been reduced at all since this under-
expenditure of 12,500*l*.?—In the present year
the provision under Sub-head C is 694,000*l*.2755. Then it has been very largely decreased?
—Very largely reduced.2756. It is 74,000*l*. less?—Yes.*Mr. Goddard.*2757. That was not all taken off in one year.
There was a reduction last year and in the inter-
mediate year?—Yes, it has been gradually
reduced.2758. It is 31,574*l*. from last year, and the
balance is from the previous year.

ON VOTE 20.

PRISONS: IRELAND.

*Chairman.*2759. (To Mr. *Blain*.) This last Sub-head W,
"Maintenance of Criminal Lunatics," is really
a transfer from County Funds to Imperial
Funds, is it not?—Yes, it results from the Act
that was passed in 1901, the object being to
assimilate the law in Ireland to the law in
England. In England the law requires that
criminal lunatics maintained in County Asylums
should be paid for out of Imperial funds, and
this Act made the law the same in Ireland.2760. Are these criminal lunatics kept in the
County Asylums?—Yes.2761. And this is the payment to them for
their keep?—Yes.

2762. (To

27 June, 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. BEAIN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

CLASS III.—ON VOTE 21.

CLASS III.—ON VOTE 22.

REFORMATORY AND INDUSTRIAL SCHOOLS,
IRELAND.DUNDRUM CRIMINAL LUNATIC ASYLUM,
IRELAND.*Chairman.*

2762. (To Mr. Blain): These last three Sub-heads are very satisfactory, are they not—that is to say, they show a decrease in the number of offenders under two heads, and an increase in parental contributions?—Yes.

Chairman.

2763. The parental contributions go to the "Appropriations in aid," I suppose?—Yes.

2764. (To Mr. Kempe): You have examined the accounts of the farm under this Vote, have you not?—Yes.

CLASS IV.

EDUCATION, SCIENCE AND ART.

ON VOTE 1.

BOARD OF EDUCATION.

Mr. JOHN BROMLEY, C.B., called in; and examined.

Chairman.

2765. I observe you have kept your estimate pretty close; on an expenditure of eleven millions the net surplus is only 6,000*l.*?—Yes; the difference is rather larger than it was last year, when I think it was about 1,800*l.* But the estimate ought always to be fairly close on the whole.

2766. Had you any supplementary vote this year?—No, last year we had.

2767. With regard to Sub-head A 2, "Administration: Travelling and Incidental Expenses," there is a question raised by the Comptroller and Auditor-General in the second paragraph of his report as to whether the charge for the despatch of two representatives of Great Britain to an International Seismological Congress held at Strassburg was properly put down under that Sub-head—could you say that those professors were at all connected with the administrative functions of the Board?—No, but they were appointed by the Board as being the most competent people to represent the Board. The Foreign Office addressed a letter to the South Kensington Branch of the Board—presumably because the Board had a staff of scientific men in the Royal College of Science, of whom Professor Judd, at that time the Chairman of the English Seismological Committee, was one—and Professor Darwin and Professor Milne were appointed as delegates, practically on the nomination of the Royal Society. It would, as the Comptroller and Auditor-General suggests, have been perhaps more proper to have recorded it under a special sub-head. There would have been no objection to that; but the amount is very small.

Sir Brampton Gurdon.

2768. It seems to be carrying financial particularity rather far: it is not very desirable to multiply sub-heads?—That is what we thought; but I think, strictly speaking, the Comptroller and Auditor-General is right; the expenditure is foreign to that ordinarily recorded under Sub-head A 2.

Chairman.

2769. (To Mr. Blain.) Have you anything to say upon this point?—The Treasury would agree in that view also, that it would strictly be more accurate to make it the subject of a separate sub-head.

2770. (To Mr. Bromley.) With regard to the Sub-head B 2, "Travelling Allowances and Incidental Expenses," has the estimate for that been reduced?—It has been reduced from 52,771*l.* to 50,633*l.*

2771. Because I observe there was an under-expenditure of 5,000*l.* last year?—Yes, but this year the expenditure has been rather heavy, owing to the many removals on alteration of districts.

Mr. Goddard.

2772. I see on that item you spent 872*l.* more than was granted, in the year under review?—Yes; as I say, the expenditure this year has been heavy, owing to there having been many removals.

2773. The explanation given of the deficit is not very distinct—it simply says "Casual variation," which does not tell you much?—On the Travelling

27 June 1904.] Mr. KEMPE, C.B., Mr. GIBSON, C.E., Mr. BLAIN and Mr. J. BROMLEY, C.B. [Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class IV.—Education, Science and Art—
continued.

On Vote 1.—Board of Education—*continued.*

Mr. Goddard—*continued.*

Travelling Vote it is rather difficult to give a detailed explanation. This is the aggregate amount resulting from thousands of claims. Our Inspectors are all over the country sending in weekly travelling claims, and this is the outcome of it all. I may say that they are claims which are most carefully watched. The expenses are only the actual railway and cab fares, and the subsistence allowances fixed by the Treasury.

2774. This is only in respect of inspection, is it not?—This is inspection only.

2775. The travelling expenses of officials, the members of the Education Committee attending conferences, do not come under that head, do they?—No; they would come under "Administration" A 2.

2776. But the same kind of conditions, I take it, are laid down in regard to Inspectors as in regard to the others?—Yes, exactly—it is a fixed subsistence allowance and the exact railway and cab fares.

2777. You have been recently amending that, have you not?—I think for some little time we have followed these rigid rules.

2778. What is the allowance?—For higher officers with a certain salary the scale is 20s. a day, and there is a lower scale of 15s. and 10s.

Chairman.

2779. The next point I want to ask about is the under-expenditure of 77,000*l.* under C 2 "Annual Grants for Public Elementary Schools." Is that entirely accounted for by the fact that is referred to in the explanation, that the new authorities delayed putting forward their claims; or is there any other explanation that you can give us?—I think that is the full explanation. We were paying these claims from day to day. These are payments as from the first of each month, and they are under examination constantly. If there is delay in putting forward claims there is delay in passing through the Office, and things get hung up; and at the end of this particular year we were a little behind.

2780. Then certain schools got a good deal more. I mean to say, you would have had larger savings if it had not been for certain schools?—That is so. If a school, for example ordinarily earned 500*l.*, in this particular year owing to the increase in the average attendance it might have earned 520*l.* or 530*l.*; and to the extent to which it earned more this saving was reduced.

2781. Now, with regard to C 6, Aid Grants, as to which there was an excess of 148,529*l.*; as I understand the explanation, it appears that the voluntary schools got about treble under the new Act what they got from the old Aid Grant, 0.3.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class IV.—Education, Science and Art—
continued.

On Vote 1.—Board of Education—*continued.*

Chairman—*continued.*

is that so?—I do not think it works out that way. Under the new Act there is no distinction between voluntary and Council schools, but they are all worked out under Section 10 on one basis.

2782. You see the explanation that is given on page 381 with regard to C 6?—Yes. The excess is caused owing to the Education Act having come into operation in certain areas earlier than was anticipated. As you know, the new Aid Grant is more liberal than the old Aid Grant to necessitous School Boards and to voluntary schools. The result is that the Act having come into operation earlier, our estimate was thrown out.

2783. You intended to divide your Aid Grants half and half?—Yes; in other words, we took under C 6, for the Voluntary Aid Grant, 318,000*l.* and for the New Aid Grant 1,100,000*l.*, and in the result it worked out quite differently. As you will see from the note in the explanation: the Voluntary Schools Aid Grant was less by 68,000*l.*, or approximately a fifth, and the other was increased by 217,000*l.*, or approximately a fifth.

2784. And by that the schools gained?—The schools of the country gained—not only the voluntary schools but the Council schools.

Mr. Goddard

2785. Was that due to the pressing forward of the Department to get an appointed day fixed as early as possible?—No, I think it was the anxiety of the Local Education Authorities to get to work early. We found great readiness on their part to come in, and wherever things were straightforward they came in.

2786. As a matter of fact there had to be a good deal of pressure put to get an appointed day fixed, had there not?—I am not aware of that.

Chairman

2787. With regard to Sub-head D 2 "Grants for Education and Training of Pupil Teachers," the saving of 12,170*l.* is really accounted for mainly by the fact that the grants to pupil teachers were deferred?—That is so. We paid for the year 1902-3, in full but in 1903-4 we stopped short at the 31st December, so that in many cases only half a year's grant was paid in respect of certain pupil teachers.

2788. Then with regard to Sub-heads E 1 and 2, they must be read together?—Yes, a separation and a re-allocation of the schools took place this year, the schools of art being moved from E 2 to E 1, and there was a little confusion and difficulty in estimating the respective amounts to be transferred, hence there is a sort of

27 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. BROMLEY, C.B. [Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class IV.—Education, Science and Art—
continued.

On Vote 1.—Board of Education—*continued.*

Chairman—continued.

sort of counterbalancing as between the less and more than granted columns in the Appropriation Accounts.

Mr. Goddard.

2789. I should like to ask a question with regard to F 5—I dare say you will remember that last year I asked some questions on that item, "Committee on Solar Physics Salaries," with regard to the balance in hand; can you tell me what the balance is now?—It is shown on page 390, the first items there. It was in the previous year 1,298*l.*, it is now reduced to 958*l.* 19*s.* 11*d.* The old explanation which is given there holds good—that the instruments are coming along, and we hope to make the balance smaller.

2790. Is it made smaller in the Estimates now?—It is put on a different basis. The basis was altered last year. This increase of balance was due to a special grant of 1,000*l.* for apparatus and instruments. In this year's Estimates they have changed the lettering of the Sub-head to N The Vote now is 700*l.* Grant in Aid and the salaries are taken at whatever they are according to the Establishment fixed by the Treasury, about 1,100*l.*

2791. That is a reduction?—That is a reduction so far as Grant in Aid is concerned.

2792. You anticipate that there will be a demand on this balance for instruments during this year?—Yes, we fully anticipate that.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class IV.—Education, Science and Art—
continued.

On Vote 1.—Board of Education—*continued.*

Sir Frederick Banbury.

2793. I want to ask a question on page 388, where you will see there are a very large number of payments under the head of "Extra Remuneration."?—Yes, there are. That was anticipated when the Estimates were taken. As you know, the year 1903-4 was a new departure, and we took, on page 356, of the Estimates of 1903-4, a lump sum of 10,000*l.*, with Treasury concurrence, for "provision for anticipated extra expenditure in the inauguration of the Education Act, 1902." That item covered legal assistance, temporary barristers and people we had to call in, and a great deal of outside work; and at the end of the year certain members of the staff who had done very much better work than their rank called for, were with Treasury consent granted the sums set out on page 388 from the third item downwards.

2794. It is really quite exceptional?—Quite exceptional; the 10,000*l.* fell out of the Estimate to the extent of 6,500*l.*

2795. The extra remuneration on page 389 is not exceptional, I presume?—That is the normal extra remuneration for officers who do outside work.

(*Mr. Bromley withdraw.*)

ON VOTE 2.

BRITISH MUSEUM.

Sir EDWARD MAUNDE THOMPSON, K.C.B., LL.D., called in and Examined.

Chairman.

2796. You told us last year that certain houses had been bought near the Museum?—Yes.

2797. Have they been used at all or has the ground been cleared for building?—On the north side all the houses in Montague Place have been demolished except two, with the view of building; and plans are now being drawn and preparation is being made by the Office of Works to build a new wing there.

2798. A new wing of the Museum?—Yes, on the north side.

2799. Can you explain this second paragraph of the Comptroller and Auditor-General's Report, which says "that the pensioned officer who last year received remuneration for special work

after attaining the age of 70 years has in the year under review received further remuneration to the amount of 200*l.*"?—Yes; Dr. Woodward, who had been Keeper of Geology in the Natural History Museum, was retained during last year to deal with the exhibition connected with Dynamic Geology. He was an expert on the subject, and the Trustees could not find anyone else, and so with Treasury sanction he was engaged for that sum of 200*l.*

2800. It was done with Treasury sanction?—Yes.

2801. He was practically the only man who could do the work?—He was practically the only man we could get to do it.

2802. (To

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON C.B., Mr. BLAIN, and
Sir E. M. THOMPSON, K.C.B., LL.D.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class IV.—Education, Science and Art—
*continued.*On Vote 2.—British Museum—*continued.**Sir Frederick Banbury.*

2802. (To Mr. Kempe.) Have you got here the paragraph in the Report of this Committee for the year 1895 to which you refer in this paragraph 2 of your Report upon this Vote?—Yes; the paragraph says: "Your Committee must observe that it will be difficult always to distinguish between a temporary employment that has some continuity and employment that would contravene the Order; and they recommend that the Treasury should so far as possible prevent any further employment whatsoever being given to officers who have been retired under the Order."

2803. (To Mr. Blain.) Had the Treasury that paragraph in mind when they gave their sanction?—Yes; the Treasury consented very reluctantly to the continued employment of this gentleman, on the ground which the Accounting Officer has now stated.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class IV.—Education, Science and Art—
*continued.*On Vote 2.—British Museum—*continued.**Sir Frederick Banbury—continued.*

2804. (To Sir Edward Muunde Thompson.) Is this officer being employed now?—No, he has retired.

Chairman.

2805. I see 22,000*l.* is the Grant in Aid for Purchases and Acquisitions?—Yes.

2806. With regard to the rents from houses referred to on page 395, will they disappear now that you have pulled down the houses, or are they different houses?—It is only about a third of the property that is demolished, so that the rents from the other two-thirds will go on.

(Sir Edward Muunde Thompson withdrew.)

ON VOTE 3.

NATIONAL GALLERY.

Mr. HAWES TURNER, called in; and Examined.

Chairman.

2807. Will you be kind enough to tell us with regard to Cassoll's Illustrated Catalogue; it is still sold in the Outer Hall of the National Gallery, is it not?—It is still sold in the Outer Hall of the Gallery.

2808. But it is no longer sold by your officials, is it?—Not by our officials.

2809. Would you consider that it still competes with the catalogues you sell?—Yes, I think it does. I may say that it is not the only thing sold in the Outer Hall of the Gallery; there are also sales of photographs and other publications, and Messrs. Cassoll's salesmen take their place amongst others.

2810. They no longer compete with you in the Inner Hall?—They no longer compete with us in the Inner Hall.

Sir Brampton Gurdon.

2811. In the Royal Academy I do not think they allow people who sell an unofficial catalogue to come inside at all, do they?—I do not know how it is at the Royal Academy.

Chairman.

2812. Is there any time at which this arrangement with Messrs. Cassell will come to an end? Of course we understand it is to recoup Messrs. Cassell for the expense of printing the Illus-
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Chairman—continued.

trated Catalogue?—I think no date has been assigned for the termination of this agreement.

2813. Does not it seem to you advisable that there should be a date fixed?—I think it is very advisable that such a date should be fixed.

2814. Will you bring that matter before your Trustees?—Yes.

Sir Brampton Gurdon.

2815. It is a different catalogue from yours, is it not?—It is a semi-official catalogue, published by the authority of the Trustees.

2816. Does it get a sale because it is better or because the illustrations are more attractive?—It has a sale partly because it is attractive in consequence of the illustrations, and partly because it is the only catalogue that contains every picture in the Gallery of all the Schools, and it is of a small size and a low price.

Chairman.

2817. I think you purchased no pictures this year, did you?—We purchased one picture—a portrait by Zurbaran, of the Spanish School, for 1,000*l.* That was the only purchase of any importance.

2818. Was that purchased in the year under review?—Yes, I think so.

2819. Because I observe the Comptroller and Auditor-General

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27 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. H. TURNER, [Continued.
Mr. CUST and Mr. PHILLIPS.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class IV.—Education, Science and Art—
continued.

On Vote 3.—National Gallery—*continued*

Chairman—*continued.*

Auditor-General says that out of the Grant-in-Aid account for the purchase of pictures "37l. 2s. 4d., only was expended for travelling expenses, leaving a balance at the close of the year of 12,105l. 10s."; therefore I gather your balance is not now

CIVIL SERVICE APPROPRIATION ACCOUNTS
1903-1904.

Class IV.—Education, Science and Art—
continued.

On Vote 3.—National Gallery—*continued.*

Chairman—*continued.*

12,105l. 10s. 0d., but it is less by 1,000l. ?—No. This picture was bought with other funds at the disposal of the Trustees, and is not therefore debited to the Grant in Aid now.

(Mr. Turner withdrew.)

ON VOTE 4.

NATIONAL PORTRAIT GALLERY.

Mr. LIONEL HENRY CUST, M.V.O., F.S.A., called in; and Examined.

Chairman.

2820. You spent 1,054l. on pictures, I see, under this Vote in the year under review ?—Yes.

2821. Leaving you with a balance of 256l. ?—Yes; which was carried on to next year.

2822. Will you tell us the pictures that were bought ?—There were rather an unusual number bought in that year.

2823. Were there any specially remarkable ones ?—The highest priced was one of 200l., but there were two or three pictures bought from the Townshend Sale.

Sir Brampton Gurdon.

2824. With regard to the explanation as to the excess on Sub-head D, are swing frames for

Sir Brampton Gurdon—*continued.*

the purpose of exhibiting miniatures ?—No, they are for photographs of historical portraits.

2825. Photographs of portraits which are not in your Exhibition ?—Yes, photographs of portraits in private or foreign collections, which cannot be obtained.

Chairman.

2826. The excess in the receipts from admission fees and sale of catalogues shows an increase in the number of persons who come to the Gallery, I suppose ?—Yes, it usually does.

(Mr. Cust withdrew.)

ON VOTE 5.

WALLACE COLLECTION.

Mr. CLAUDE PHILLIPS, called in; and Examined.

Chairman.

2827. The Sub-head Incidental Expenses shows a very large under-expenditure of 1,130l. You had a grant of 1,900l., but you did not spend more than 769l. ?—That is so.

2828. Do you think it is necessary to take as much as 1,900l. ?—It was entirely exceptional that year. We proposed to do a great number of things we could not do. We got through our glazing, for instance, entirely in the preceding year, and so spent 11l. instead of 500l.

Chairman—*continued*

2829. Then, at any rate, you think there is no reason to reduce that Estimate ?—No; next year we give back 102l. only, instead of 1,300l.

2830. You have got repairs of tapestry, too, occasionally recurring, I suppose ?—We thought that some of the very valuable tapestry was rather going bad, but find it has not gone any further, so we have done nothing more; and that saves a good deal.

(Mr. Phillips withdrew.)

2831. (To

June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B. and Mr. BLAIN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class IV.—Education, Science and Art—
continued.

ON VOTE 10.

PUBLIC EDUCATION—IRELAND.

Chairman.

2831. (To Mr. *Blain.*) Taking Sub-head E, there is some special Act which makes it necessary to charge the Teachers' Salaries under a special sub-head, is there not?—It prevents the expenditure out of the School Grant, which is Sub-head I, from being provided under Sub-head E.

2832. Those two Sub-heads I and E, must be read together, must they not?—Yes.

2833. The one shows an under-expenditure of 122,000*l.* and the other shows an excess expenditure of 133,000*l.*?—Yes.

2834. Therefore, the excess is really 10,000*l.* and not more?—That is so.

2835. There is, I observe, always a considerable under-expenditure under Sub-head E 2, "Monitors and their travelling expenses," and that is so this year, the under-expenditure being 10,600*l.* It is not the first year that has occurred. Do not you think that the estimate of 40,000*l.* ought to be reduced?—I think the Treasury will ask the Irish Government about it, with a view to reduction.

2836. Will you bring it to their notice?—Certainly.

Sir Frederick Banbury.

2837. In paragraph 3 of his Report upon this Vote the Comptroller and Auditor-General says: "The admitted over-payments discovered in the course of the examination of the present Account amount to 132*l.* 10*s.* 1*d.* Of this total 85*l.* 0*s.* 8*d.* has been recovered and brought to account within the year; 8*l.* 6*s.* 10*d.* has been written off by the Treasury as irrecoverable, and a balance of 39*l.* 2*s.* 7*d.* still remains to be recovered." Will it be recovered?—Yes.

2838. How do these over-payments arise?—They are generally very small sums, frequently a few shillings, paid to a teacher upon some calculation of the number of days which turns out to be wrong, for which he is entitled to receive an allowance. They are irrecoverable sums when the teacher has either died or left the service at the time when it is found out.

2839. In your opinion there is no reason to suppose that all these over-payments are not found out?—I think the Comptroller and Auditor-General sees to that.

2840. (To Mr. *Kempe.*) What do you say as to that?—We hope that they are.

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CIVIL SERVICE APPROPRIATION ACCOUNTS
1903-1904.Class IV.—Education, Science and Art—
continued.

ON VOTE 12.

NATIONAL GALLERY OF IRELAND

Chairman.

2841. (To Mr. *Kempe.*) Was not this a Vote upon which we had some trouble before as regards the Account?—Yes; that trouble has not recurred. The Account has been sent up quite punctually.

2842. In proper order and in proper form?—Yes.

ON VOTE 13.

QUEEN'S COLLEGES, IRELAND.

Chairman.

2843. (To Mr. *Blain.*) What is the new arrangement with regard to the fees of students; they are not to go entirely to the Professors now, are they, but only the estimated amount of them?—It is not a new arrangement, it is merely that in this year the fees received happen to be more than had been estimated for, and, therefore, the surplus is paid to the Professors in the following year, not in the year of Account.

2844. Whatever the fees are in the next year?—In the long run the Professors will get all the fees that are paid.

Sir Frederick Banbury.

2845. Why is there such a very large sum for extra remuneration under this Vote? The total expenditure is small, but the extra remuneration is very large?—This Vote bears the salaries of Professors and Examiners, and people in that position are frequently employed by many different bodies for the same kind of work.

2846. The extra remuneration does not mean that they are receiving this extra remuneration under this Vote, but that they are working for a certain period for another department?—A Professor of a certain subject will be employed by the Civil Service Commissioners, for instance, to examine in his own subject, and he is paid by the Civil Service Commission, and it is recorded against the Vote that bears his salary as an extra remuneration.

2847 You

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN and
Mr. CARTWRIGHT, C.M.G.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-1904

Mr. W. CHAUNCY CARTWRIGHT, C.M.G., called in; and Examined.

CLASS II.

ON VOTE 5.

FOREIGN OFFICE.

Chairman.

2847. You answer for the Foreign Office Vote in Class II.?—Yes.

2848. As regards the large under-expenditure of 1,090*l.* under Sub-head A, "Salaries, Wages, and Allowances," the explanation states that that is "caused by resignations and consequent promotions at minimum rates of salary"?—Yes, in the ordinary course.

2849. In regard to the under-expenditure under Sub-head C, it is said to be in consequence of the retirement of a Messenger and the appointment of a successor at a lower rate of salary?—Yes.

2850. You will recollect that years ago the Ridley Commission recommended that non-commissioned officers should be appointed, in the event of their being fitted for the place, as Messengers. Is this an instance of that?—No, this was a Foreign Service Messenger, one of the men who go abroad.

2851. Then does it merely mean that the new man was appointed at a lower scale?—In consequence of the Ridley Commission the salaries of King's Messengers were reduced. This man, who was drawing 400*l.* a year, retired, and we replaced him by a man on the new scale at 250*l.*

2852. The first man was appointed before the Ridley Commission?—Yes.

2853. That is the saving?—Yes, it is the difference between 400*l.* and 250*l.*

Sir Brampton Gurdon.

2854. It was the Home Service Messengers who were to be non-commissioned officers, was it not?—Yes.

2855. I suppose the decrease of salary is really owing to the greater simplicity of travelling?—No; the idea was to employ ex-Army men who had got retired pay, and therefore you could get them cheaper; and so you could get them at 250*l.* and make a further reduction because they are drawing pension.

Mr. Goddard.

2856. As regards Sub-head B, "Legal Adviser," I observe that in 1902-3 the amount was 1,2000*l.*?—Yes; there are two men now.

2857. Then you appointed an Assistant Legal Adviser at a salary of 750*l.*; he is still retained?—Yes.

2858. Is that a permanent official?—Yes.

2859. Is there enough work for two such highly paid officials?—Yes, and there is a question of wanting another one.

Chairman.

2860. The only other Vote you answer for is Class V. Vote 1, I believe?—Yes.

CLASS V.

FOREIGN AND COLONIAL SERVICES.

ON VOTE 1.

DIPLOMATIC AND CONSULAR SERVICES.

Chairman.

2861. I want to ask you about a very small matter first of all. If you will look at Sub-head M, in the explanation it is stated that a Chancery Porter at Constantinople was given a gratuity of 222*l.*, which is the highest remuneration of any of the people mentioned in the list. Why did he get that gratuity?—I do not remember the circumstances; I suppose he had been there a long time.

2862. It is rather a large remuneration for a Porter, is it not?—It is in lieu of pension, and is renewable after three years. They are compassionate gratuities to retired Chancery and Consular attendants.

2863. Then I observe, there is continually a provision taken for the Vice-Consul at Boma; but no payment has been made since 1899, the post having apparently remained vacant since that date. Ought not that now to disappear?—Yes; it will disappear. There was a question of reviving the post in 1903, but now it has been decided to appoint two fresh Vice-Consuls in the Congo State, and this money will be used towards them.

Sir Brampton Gurdon.

2864. But there will be some more money?—Yes, of course. This is only 150*l.* for office expenses; but this will disappear.

2865. Will you have one of the Vice-Consulates at Boma?—No, I believe not. The difficulty was that there was a doubt as to where the permanent capital would be fixed, and we had to shift our men accordingly; we could not decide where the head man should be.

Chairman.

2866. In paragraph 5 of the Comptroller and Auditor General's report it is stated that "a gratuity of 250*l.* has been granted, with Treasury sanction, to a former secretary of the Mosquito ex-Chief Clarence." Is this a compassionate allowance gratuity to that man?—In the case of the secretary, I consider it is.

2867. He was left destitute in this country, I presume?—No; the Chief Clarence is in Jamaica, and we have been obliged to provide for him. Then it was found that this wretched secretary had not been paid, and it was decided to give him a gratuity, and have done with him.

2868. Have

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. CARTWRIGHT, C.M.G.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNT,
1903-1904.Class V.—Foreign and Colonial Services.—*cont.*On Vote 1.—Diplomatic and Consular Services
—*continued.**Chairman*—continued.

2868. Have we done with the Chief, too?—No, we have not yet; but there is a hope of getting rid of him, because a treaty with Nicaragua has been signed and the Nicaraguans are going to pay 4,000*l.* to Chief Clarence; but the treaty has not yet been ratified, nor has the 4,000*l.* been paid.

2869. In paragraph 6, I see there is some excess over the gratuity limit which is fixed at 500*l.*, is there not?—Yes, they are triennial gratuities, they are renewed triennially, and, therefore, although there is a limit of 500*l.*, the limit has not really been exceeded. It happens to be exceeded in one year, but the average for the last three years is 362*l.* If you give gratuities triennially and renew them triennially it may happen in one particular year that you are paying a larger amount than the other two years, although the same gratuities keep falling with regard to the third year. But the average for the last three years, as I say, is only 362*l.*

2870. You recognise that the average for the three years will not be exceeded?—Well, I do not recognise that, because once you adopt the principle of paying these gratuities you have to go on paying those you have already awarded, renewing them triennially. Then again it is very hard on a particular servant that he happens to come in when the fund is exhausted in that third year, or even on the average of years. Once you adopt the principle for this particular class of servant, I do not really see how you can limit it. We should be obliged to go to the Treasury for sanction to exceed it; that is the only advantage, that it cannot be exceeded without Treasury sanction.

2871. They fix the limit of 500*l.*?—Yes.

2872. Then with regard to the second part of that paragraph, the gratuity had been paid to the family and not to the man himself. If so, had you not better have Heading M altered?—We do not think so, because that is a thing that is entirely different. It has been done constantly. It is a compassionate allowance, granted for funeral expenses or something of that kind, and it has always hitherto been charged to Incidental Expenses, and we think it would be preferable to do that instead of enlarging this heading.

2873. But this was paid out of Sub-head M?—The Treasury told us to do so, and we did so; but it was not in accordance with precedent, and it will not be done again, if we can help it. We shall protest against it being done.

Sir Frederick Banbury.

2874. With regard to paragraph 11 of the Comptroller and Auditor-Generals' Report, there seems to be a case, and it might almost look as if

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CIVIL SERVICE APPROPRIATION ACCOUNT,
1903-1904.Class V.—Foreign and Colonial Services.—*cont.*On Vote 1.—Diplomatic and Consular Services
—*continued.**Sir Frederick Banbury*—continued.

it was the practice of Consuls receiving fees and then on the fees being paid by the owners of the cargo, not making any credit for the fees; that is as I understand the remarks of the Comptroller and Auditor-General in that paragraph. Is that so?—No, the owners refused to pay; we could not get the fee.

2875. The Comptroller and Auditor-General says, "The fee was eventually paid by the owners of the cargo, but no credit appeared in the Vice-Consul's Account, and I am informed in reply to enquiries, that 'it was ascertained that the 10*l.* which he received had actually been disbursed by him, and was, as a matter of fact, out-of-pocket expenditure.' As the fee in question should apparently have been levied in addition to any out-of-pocket expenses, there would seem to be a further deficiency under Appropriations in aid beyond the 20*l.* mentioned"?—The fee was paid by the owners of the cargo to the Board of Trade who claimed it. It was not paid to the Consul at all; he has never got it. We had great difficulty in recovering anything at all, and then it was decided not to claim the full amount. The Consul was quite wrong in not charging the fees in his account. He did an extraordinary thing; he drew a bill upon the Board of Trade for the whole amount, fees, expenses and everything. The result was that the Foreign Office did not hear of it for some time; we did not know it was going on. The Consul never did charge the fees or expenses in his accounts, and when it was enquired into, that Consul had gone away, and when we wrote to recover the money from him, he was dead, and it was settled up in this way, as it is stated here. It was badly managed by the Consul in the first instance. There was a muddle in this way, that the Vice-Consul, who was nearest the scene of the wreck, was a newly-appointed local man, a Spaniard, who did not know English, and the Consul at Corunna took upon himself to send off his Vice-Consul from Corunna; and the result was that there were two Vice-Consuls present, and we could not charge the owners full fees for two Vice-Consuls who went there by mistake. That accounts for part of it. That is the reason as to this additional 10*l.*; it should, properly speaking, have been levied, because there were two Vice-Consuls present, but we could not levy it, because the two men had gone there by mistake.

2876. That was an accident arising from a mistake; but the other does not seem to have been a mistake. Was that due to carelessness?—I think it was very improper indeed. He ought to have charged the sum in his account with the Foreign Office in the ordinary way; instead of that he drew a bill upon the Board of Trade, which was quite irregular.

2877. Steps have been taken to prevent a recurrence

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. CARTWRIGHT, C.M.G.

[Continued.]

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| CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903—1904. | CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903—1904. |
| Class V.—Foreign and Colonial Services— <i>continued.</i> | Class V.—Foreign and Colonial Services— <i>continued.</i> |
| On Vote 1.—Diplomatic and Consular Services — <i>continued.</i> | On Vote 1.—Diplomatic and Consular Services — <i>continued.</i> |

Sir Frederick Banbury—continued.

recurrence of such a thing, I presume?—Yes, it is quite irregular.

2878. Then I see in paragraph 15 something of the same kind seems to have happened again. The Comptroller and Auditor-General says there that another Vice-Consul "failed to account for the deficiency or to offer any explanation"?—Yes, that was an Italian, at a small place near Naples. We could not get anything out of him; we had no authority over him, and we could not get back the stamps.

2879. His services have now ceased?—Yes; the post was abolished.

Chairman.

2880. With regard to paragraph 17, which is a larger matter, have the Foreign Office sent an answer to the Comptroller and Auditor-General's enquiry referred to in that paragraph?—We answered the Audit Office some time ago—in February.

2881. What steps have you taken?—I do not think any steps are required. To begin with, I may say that number (1) and number (3) in that paragraph are the same thing. It is a matter of the money being in the hands of Consuls, but that money is accounted for. There is a form of balance certificate in which they account for the possession of these moneys. They receive money through the Hong Kong Chest, and this arrangement was made on purpose that we should know exactly what funds they have in their hands. I think that works perfectly satisfactorily; in fact, that is how the Comptroller and Auditor-General traced the money, because it was mentioned in the balance certificate; it was stated that these sums were in their hands. With regard to the particulars in the case of number (1), there was delay in paying the money over, because the money was recovered on behalf of the Missionary Societies, but the Missionary Societies refused to accept it; it was blood money, and they would not take it. Our English Missionary Societies make that rule. The American Societies take it fast enough, but our English Societies will not receive it. It was very difficult to know what to do with it, and I believe it was eventually sent to an American Society, or at any rate to some charity out there. There was therefore delay, and the money remained rather longer in the hands of the Consul pending instructions. There was great difficulty in knowing to whom to give it. Then in the case of number (3), there was really no particular delay. The indemnity was paid, and handed over to the claimants. With regard to number (2), that is a different case altogether; that is advancing money to

Chairman—continued.

claimants in anticipation of the payment of the Chinese Indemnity. That money has been repaid except in regard to three items; those three items are being considered by the Treasury at present. The money will not be recovered from the Chinese Government just yet; it will come in a later instalment, and the question is being considered whether that money should be charged to the Vote when it is recovered from the Chinese Government and handed over to the Treasury, or exactly in what form it should be dealt with.

2882. Do I understand you to say that when these sums are paid the Consular Officers are bound to pay them into the Bank?—No.

2883. I thought you said they paid them into the Hong Kong Bank?—No, they deal with the Hong Kong Bank, and I daresay they do bank the money if they can; it depends upon what posts they are at.

2884. Of course I need not ask you whether you agree with the whole of the last sub-paragraph here?—Yes, we quite agree as to that. The only case which really calls for attention is number (4), because in that case there was a large sum in the hands of the Consul at Pernambuco, and he ought to have made it appear in his accounts and he failed to do so. When he was absent, and about to retire, the Acting Consul called attention to the existence of this money, and we then promptly asked about it, and it has now been handed over to the Treasury.

2885. (To Mr. Kempe.) You have heard the explanations which have been given; are you satisfied upon the point?—My view is that it is not sufficient that we should know that the Consuls have the money, but it ought to be clear that the Accounting Officer is accountable for it. He should include it in his account and so make himself accountable to Parliament for the moneys. As it is now, it was only accidentally, as has just been stated, that we discovered in some cases that there were sums in the hands of the Consuls. We think it important that moneys in the hands of these sub-accountants should be included in the Foreign Office Accounts, and the Foreign Office held responsible for them. We consider, in fact, that such sums as these come within the ruling of the Treasury which I have quoted in the last paragraph in my Report. (Mr. Cartwright.) These are sums which are not intended to come to the British Government at all. They are sums paid to the Consuls to pay out to claimants of some kind, and it would be inconvenient to include those in the Accounts. It would be inconvenient to send them home for instance, because there would be loss by exchange.

2886. (To

27 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. CARTWRIGHT C.M.G.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class V.—Foreign and Colonial Services—
*continued.*On Vote 1.—Diplomatic and Consular Services
*—continued.**Sir Frederick Banbury.*

2886. (To Mr. Kempe.) They might be included in the Accounts without the sums being sent home. I gather what you want is an account which shows exactly what has been received, and what has been disbursed, irrespective of whether the money has been sent home or where it is, as long as you see that the money has been received?—Yes, we ought to know where the floating balances are, and we think the Foreign Office should accept the responsibility by including them in their Accounts.

Chairman.

2887. (To Mr. Blain.) From the Treasury letter it appears you hold rather the view that all public money, whether they are paid to somebody else or not, which come into the hands of Consuls should be accounted for in the Accounts, and it should be stated what they have received and what they have paid?—Yes.

Sir Frederick Banbury.

2888. (To Mr. Cartwright.) Does the Foreign Office object to do that?—Yes, we object to doing that, and we think it is not necessary so long as we report what the Consuls have got. It ought to appear in their Accounts I admit. It is quite satisfactorily provided for in China by the Balance Certificate.

2889. (To Mr. Kempe.) But I do not understand you wish to have the money sent home at all. You only want it in the Account, so that it may be properly audited?—Yes. I do not consider that a note on the Balance Certificate is sufficient. It is not equivalent to the inclusion of the sums in the Account. We consider that

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class V.—Foreign and Colonial Services—
*continued.*On Vote 1.—Diplomatic and Consular Services
*—continued.**Sir Frederick Banbury—continued.*

the sums ought to be included, and shown in the Account itself in some shape.

Sir Robert Mowbray.

2890. You want the full sums on each side you mean?—Yes. It is the subject now of a note only. It is not part of the Account. It is merely the subject of a note or a certificate on the Account stating that a certain sum is held; but we hold that it ought to be part of the Account.

2891. (To Mr. Cartwright.) It does not show how it arises does it?—Yes, it shows how it arises.

Sir Frederick Banbury.

2892. Where would be the difficulty in doing what is suggested?—I should not like to answer the question off-hand. I think it is a matter we could correspond about.

2893. It is rather an important matter, is it not?—I think there is no harm done as long as we know, and the Comptroller and Auditor-General knows, that the money is there (Mr. Kempe.) As a matter of fact we cannot be quite sure that we know all the moneys that are in the hands of the Consuls. As I said, it was in some cases only accidentally that we discovered this. (Mr. Cartwright.) I beg your pardon. In what case was it accidental? You would discover it from the Balance Certificate—that is not accidental. (Mr. Kempe.) They were merely noted on the Account in out-of-the-way places. (Mr. Cartwright.) In one case they were noted by the Consul, under the wrong heading, I admit.

Thursday, 29th June 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Victor Cavendish.
Mr. Cohen.

Mr. Goddard.
Sir Brampton Gurdon.
Sir Arthur Hayter.
Sir Robert Mowbray.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-04.

Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., Mr. W. BLAIN, called in; and Examined.

CLASS V.

FOREIGN AND COLONIAL SERVICES.

ON VOTE 2.

UGANDA, CENTRAL AND EAST AFRICAN PROTECTORATES, AND UGANDA RAILWAY.

UGANDA.

Mr. EYRE A. CROWE, called in; and Examined.

Chairman.

2894. You answer for this Vote 2?—Yes.

2895. Do I understand from this Report it is correct to say as regards Uganda that all the outstanding questions raised in previous accounts have been now settled?—Yes.

2896. I observe that the Grant in Aid and the Revenue does not cover the expenditure by about 5,000*l.*; how is that settled; is it carried on till the following year?—Yes.

2897. From paragraph 5 of the Report I see that the Hut Tax labour produced about 8,000*l.* less than was expected?—That is chiefly in Uganda. That was almost entirely due to the prevalence of the sleeping sickness, a great epidemic which devastated all the villages.

2898. I do not quite understand—did the sleeping sickness cause people to leave their huts?—It actually killed them—there was a great loss of life among the population.

2899. There was so much less Revenue, because there were fewer people?—Yes, the people died by thousands; the actual taxpayers died.

Mr. Gibson Bowles.

2900. With regard to paragraph 6, you will observe that the Statement of Assets and Liabilities on March 31st, 1904, shows a surplus of assets at that date of 31,466*l.* 1*s.* 8*d.*; is that so?—I have no doubt those figures have been passed by the Comptroller and Auditor-General.

2901. Are those assets carried on?—Yes.

Chairman.

2902. (To Mr. Kempe.) I observe at the end of paragraph 6 you state that "Certain questions in connection with the Accounts for 1903-04 are still unsettled": are those questions yet settled?—There are small questions, and, practically, with the exception of one or two, they are settled; they are questions of detail.

2903. There is no important question outstanding?—There is no important question outstanding.

2904 (To

29 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. CROWE. [Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 2.—Uganda, Central and East African
Protectorates, and Uganda Railway—*cont.*

Uganda—*continued.*

Sir *Frederick Banbury.*

2904. (To Mr. *Crowe.*) As a matter of curiosity, may I ask what is the meaning of the item "Purchase of Cow and Immature Ivory Account, purchase price of quantity unsold"; it is quite unintelligible to me?—The killing of immature elephants and cows is prohibited, and a certain quantity of this ivory is still found in the country, and is bought up by the Government and then sold.

BRITISH CENTRAL AFRICA.

Chairman.

2905. (To Mr. *Kempe.*) The outstanding questions relating to the Accounts of last year appear to be satisfactorily settled?—Yes, they are all settled.

2906. (To Mr. *Crowe.*) In this case the expenditure is covered by the Grant in Aid and the Revenue, is it not?—Yes. I may say that British Central Africa was transferred to the Colonial Office a year ago. It is now under the Colonial Office.

2907. When was the transfer made?—On April 1st, 1904.

2908. Then you were in charge of the accounts which are dealt with here up to March 31st, 1904?—Yes. Those assets were handed over in the same way.

2909. You have a surplus?—Yes.

2910. (To Mr. *Kempe.*) You state here that certain questions in connection with the Accounts for 1903-04 are outstanding; are any of them important?—No. They are all settled now but one very small one of a few shillings only.

Mr. *Cohen.*

2911. (To Mr. *Crowe.*) There is a remarkable coincidence, as it seems to me, in this Vote between the expenditure and the grant. How is it that the expenditure is always able to be confined to so many round thousands of pounds? You will see the expenditure on the various items is 130,000*l.*, 48,000*l.*, and 256,000*l.*; all round figures. There must have been either a surplus or else further expenditure to be defrayed hereafter, I presume. It cannot exactly coincide. Was there something remaining to be expended?—What is expended in the Protectorate is made up partly of the Imperial Grant and partly of Local Revenues.

2912. And if they do not coincide what happens?—The Grant is calculated to cover the deficiency between the Local Revenue and the Expenditure.

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CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 2.—Uganda, Central and East African
Protectorates, and Uganda Railway—*cont.*

British Central Africa—*continued.*

Mr. *Cohen*—*continued.*

2913. It is calculated in advance?—Yes; in the Estimate.

2914. Does it always realise the expectation?—No. There is generally a balance or a deficit, which is carried forward to the next year.

2915. That happens every time when they do not exactly tally?—Yes; I do not suppose they ever coincide exactly.

2916. It is impossible they should exactly?—Yes.

EAST AFRICA PROTECTORATE.

Chairman.

2917. (To Mr. *Kempe.*) I observe you state in paragraph 10 that there are some questions in connection with the Accounts for 1902-03 still unsettled; have they now been settled?—They are all settled now.

2918. (To Mr. *Crowe.*) In this case you will observe that there is a deficiency of 53,000*l.*, as I make out: the Grant was 256,000*l.*, and the Revenue was 108,856*l.*, which makes a total of 364,856*l.*, as against an expenditure of 418,877*l.*—will that deficiency of 53,000*l.* be made up by an additional Grant in Aid next year?—It may have already been made up by the Grant in Aid of the year succeeding it.

2919. Is the Grant in Aid governed by, and does it take into consideration, the deficiency of the previous year?—Yes.

Mr. *Cohen.*

2920. The original Grant-in-Aid is estimated at what will, in your opinion, generally suffice?—Yes.

2921. If it does not suffice, is it always because some unforeseen circumstance has arisen?—Yes.

2922. These Grants we may take as Estimates, so to speak, may we not?—Yes.

Mr. *Gibson Bowles.*

2923. (To Mr. *Kempe.*) I see there were certain questions in connection with the Accounts of 1903-04 unsettled at the date of your Report; are they now settled?—They have not been settled yet. Those, again, are very small questions.

2924. (To Mr. *Crowe.*) I see you have surplus assets of 45,900*l.*?—Yes, on March 31st, 1904.

2925. Did I understand you to say that your expenditure exceeded your Revenue?—There is the Revenue locally raised, and there is the Grant, and together they are estimated to cover

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the

29 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and Mr. CROWE. [Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 2.—Uganda, Central and East African
Protectorates, and Uganda Railway—*cont.*

East Africa Protectorate—*continued.*

Mr. Gibson Bowles—*continued.*

the expenditure. But in this year it exceeded them, apparently.

2926. Which exceeded what?—The expenditure exceeded the Grant, plus the Revenue, plus the balance we may have had coming from the year before.

Chairman.

2927. As I understand it, the Grant and Revenue did not come up to the expenditure by 53,000*l.* in this year?—There was, no doubt, a balance realised from the Grant the year before. The ascertainment of this balance is not made in time to permit of an exact computation of the Grant to be allowed for the next year; the accounts are only closed after the Grant is fixed.

2928. As to the solvency of this Protectorate, are we right in gathering that from paragraph 12 or the preceding paragraph?—Paragraph 12.

2929. Does not paragraph 11 show that the expenditure exceeded the Revenue and the Grant by 53,000*l.*?—I think it does.

Mr. Gibson Bowles.

2930. Then this is the question I want to put: by paragraph 12 you will see that, turning from Revenue and Expenditure to Assets and Liabilities, you have surplus assets of 45,927*l.*?—There were available for the year 1903-04, to meet expenditure, not only the Local Revenue, plus the Grant from the Treasury, but probably also (although I have not got the figures before me at the moment) a balance from the year before.

2931. I do not think we understand each other yet. If the Comptroller and Auditor-General is right in his statement in paragraph 12, there was on March 31st, 1904, at the end of the year we are talking about, a balance of Assets over Liabilities of 45,927*l.*?—Yes.

2932. What I want to put to you is this. In the course of that year your expenditure exceeded your Revenue?—Yes.

2933. But at the end of the year you had an excess of Assets over Liabilities of 45,927*l.*?—I should think (though I have not got the figures here at the moment) that there was, as I say, a balance in hand on March 31st the previous year, which was available, in addition to the Grant and the Revenue.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 2.—Uganda, Central and East African
Protectorates, and Uganda Railway—*cont.*

East Africa Protectorate—*continued.*

Mr. Gibson Bowles—*continued.*

2934. But that really is not what I am asking?—That would go to swell the assets available on March 31st next, as mentioned here.

2935. (To Mr. Kempe.) Am I right in saying that there was a balance of Assets on March 31st, 1904?—Yes, that is shown in the Statement.

2936. (To Mr. Crowe.) Was the balance of Assets only partly applied to expenditure?—No. (Mr. Kempe.) I think Mr. Crowe's point is correct—that it is true in the year there was a deficit of 53,000*l.*, but if you add the balance of 35,341*l.* on page 466, there remains a deficiency of 18,000*l.* only.

Chairman.

2937. That is really the deficiency, is it—18,000*l.*?—Yes.

Sir Brampton Gurdon.

2938. Of course, the Assets and Liabilities have nothing to do with the Revenue and Expenditure of the year?—No.

Sir Frederick Banbury.

2939. There is a particular Account kept for a certain purpose, and on that particular Account there is an excess of Assets over Liabilities of 45,927*l.*—that is quite irrespective of the Revenue and Expenditure Account?—Yes, the Assets and Liabilities Account includes advances and cash. It is a different account.

2940. (To Mr. Crowe.) That 18,000*l.* is put to the debit of next year?—Yes.

SOMALILAND.

Chairman.

2941. (To Mr. Crowe.) As I understand this paragraph, you received 50,000*l.* as a Grant in Aid, and out of that you paid 20,000*l.* odd to India for buildings?—Yes.

2942. The 30,000*l.* remaining is carried to the funds of the Protectorate, being retained in the cash balance?—Yes. It was strictly limited to Military Expenditure.

2943. It was intended for Military Expenditure?—Yes.

(Mr. Crowe withdrew.)

2944. With

29 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. BLAIN.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1903-1904.

Class V.—Foreign and Colonial Services.—*continued.*

ON VOTE 3.

COLONIAL SERVICES.

Mr. ALFRED H. H. ENGELBACH, called in; and Examined.

Chairman.

2944. With regard to paragraph 2 of the Comptroller and Auditor-General's Report on this Vote, has anything been heard of this 200*l.* advanced to the Pitcairn Islanders for the purchase of a schooner?—Yes; a certain amount was repaid, and the Treasury agreed that the rest of it might be used by the islanders, as they were very poor, for certain useful purposes—for books, and so on.

2945. Therefore the question is settled now?—It is settled.

Sir Brampton Gurdon.

2946. Under Sub-head A, on page 470, I observe the explanation says "the Grant was taken to meet one-half of the estimated net excess of expenditure over Revenue"; who pays the other half?—The Colony has to bear it.

2947. But the Colony makes up its accounts,

Sir Brampton Gurdon—continued.

and the whole of the excess, I take it, is what the Colony cannot pay?—If you turn to the Estimates you will find the Grant is supposed to cover a moiety of the deficit. If you will turn to page 455 of the Estimates you will find it says "20,000*l.* is asked for to meet one-half of the estimated deficiency upon the expenses of administration of the Territories in 1903-04."

2948. I want to know who pays the other half?—The Colony has to.

2949. But the deficit is the difference between the expenditure and the Revenue of the Colony. The Colony cannot pay any more than its whole Revenue. Somebody must pay it. (To Mr. Blain.) Do you know who pays it?—The Gold Coast Colony pays the other half. This is the Gold Coast Northern Territories.

2950. You mean the main Colony pays it?—Yes.

SOUTH AFRICAN CONSTABULARY.

Mr. HARTMANN W. JUST, C.B., C.M.G., called in; and Examined.

Mr. Gibson Bowles.

2951. If you look at paragraph 4 of the Comptroller and Auditor-General's Report on this Vote, you will see he says that in last year's Report reference was "made to expenditure chargeable against the Grants in Aid of South African Constabulary, Maintenance and Equipment, for which Service sums of 2,500,000*l.* and 1,000,000*l.* were provided in the Estimates for the years 1901-02 and 1902-03 respectively." In the next sub-paragraph you will see the Comptroller and Auditor-General says: "In view of the opinion expressed by the Committee of Public Accounts, 1904, that no charge against the second Grant can be made except for expenditure incurred in the year ending June 30th, 1902, I have endeavoured to ascertain the amount of the balance remaining unexpended at this date"—Yes.

2952. (To Mr. Kempe.) Have you ascertained the amount of the balance remaining unexpended at that date; can you say what it was?—We cannot quite say yet, because certain questions, as stated here, are under discussion, and have not been settled. Last year the balance was estimated to have been 19,534*l.*, but now that sum will be considerably increased.

2953. Then can the principle laid down by the Public Accounts Committee of 1904 be adhered to?

Mr. Gibson Bowles—continued.

to under those circumstances?—We expect a surrender to be made of the unexpended balance.

2954. You mean the balance at June 30th, 1902?—Yes.

2955. (To Mr. Just.) You hear what the Comptroller and Auditor-General has just said?—Yes.

2956. Will that be done?—A dispatch went out concurring in the view of the Treasury and the Comptroller and Auditor-General and the Public Accounts Committee, and asking to know exactly what the balance was; but we have not yet ascertained what that balance is. As the Comptroller and Auditor-General says, there are these outstanding matters which have not yet been settled.

2957. (To Mr. Engelbach.) You are the Accounting Officer for this Vote?—Yes; but I do not happen to have gone into the details of these Transvaal Accounts.

2958. But you are the responsible officer?—Yes.

2959. May we take it from you that this surrender will be made in accordance with the principle laid down by the Public Accounts Committee?—I quite understand so.

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2960. It

29 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. ENGELBACH, [Continued.
and Mr. JUST, C.B., C.M.G.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3.—South African Contabulary—
continued.

Chairman.

2960. It was strictly laid down on the Grant of 1,000,000*l.*, you may remember, that it should not go for any expenditure beyond that date?—Yes, I recollect that.

2961. (To Mr. *Kempe*.) A good many of these questions are still unsettled, and we shall have to wait until next year, when we shall hear more of them, I presume?—Yes; we shall have to report next year upon the exact amount—we are approaching a settlement, but it is not finally settled.

IMPERIAL MILITARY RAILWAYS.

Chairman.

2962. (To Mr. *Kempe*.) Do you desire a decision from this Committee as to whether this country is responsible for the interest on the Debentures of these Railways before the annexation?—No. When this Report was written we had not then received the answer of the Treasury. The answer from the Treasury is to the effect that it sanctions these figures as they stand, and we, of course, accept that policy from the Treasury. The Treasury have decided that these pre-annexation payments are to stand.

2963. I am alluding to the last sub-paragraph—it seems a very doubtful policy whether we should be responsible for anything before the annexation?—The principle of the two paragraphs is somewhat different. I raised the question because I thought these were very important points of principle which were not yet settled; but now that the Treasury have given their decision, it is not within my province to raise any further question.

Mr. Gibson Bowles.

2964. Have you now received the account, to the absence of which you call attention in paragraph 5?—Yes, the account shows expenditure considerably in excess of the 800,000*l.*—854,000*l.* In point of fact, unless both the payments referred to in the last part of the paragraph should be disallowed, the expenditure more than covers the grant. The expenditure outside the 800,000*l.* would be sufficient to include, at any rate, one of the two items, and it might be claimed that any expenditure which could be properly disallowed was outside the 800,000*l.*, and therefore not open to question.

2965. But the question of allowance or disallowance by you or by this Committee, in your

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3.—Imperial Military Railways—
continued.

Mr. Gibson Bowles—continued.

view, has been concluded by the allowance of the Treasury; is that so?—From our point of view we have no reason to raise the question; it is a question of policy now.

2966. (To Mr. *Blain*.) Can you give us any explanation as to the Treasury allowance of this, and the grounds upon which it was given?—The payment of 42,000*l.* to the Transvaal Government itself the Treasury decided not to question, on the ground that, as stated by the Comptroller and Auditor-General, even if these were excluded, the total payments which the Transvaal Government had to make on this account exceeded the amount of the Grant in Aid. The Grant in Aid was 800,000*l.*, and the total payments were 854,000*l.*, therefore even if this 42,000*l.* were not a proper charge against the 800,000*l.*, the remaining items, which were a proper charge, were more than the amount of the Imperial Grant, therefore there would be no claim to recover from the Transvaal.

2967. Ours was not the full contribution of the whole amount expended?—Ours was a contribution of 800,000*l.*, which was estimated to be the whole amount of the liability; but the liability, including the 42,000*l.*, turned out to be 854,000*l.*

Mr. Cohen.

2968. May I ask with regard to the last sub-paragraph of paragraph 5, with regard to the balance of interest on the remaining 200,000*l.* of share capital, viz., 28,000*l.*, and to a charge of 102,042*l.* for interest on Debenture Bonds, part of that was interest on the ordinary capital and part was interest on Debenture Bonds; who fixes the rate of interest on the ordinary capital; it was fluctuating in old times depending upon the returns of the railway, was it not?—I think it was a fixed rate of interest on the share capital in this case. (Mr. *Just*.) Yes, it was a fixed rate of interest upon the share capital and upon the debentures.

2969. (To Mr. *Blain*.) Then it was not dependent apparently upon the returns of the railway?—No.

2970. What happened if the railway did not earn enough to pay the interest?—The rate of interest was guaranteed upon the capital by the Transvaal Government.

Sir Frederick Banbury.

2971. I do not want for the moment to go into the question as to whether the expenditure was 850,000*l.* or 800,000*l.*, but I want to know why we paid interest on an amount of capital which

29 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. ENGELBACH. [Continued.
and Mr. JUST, C.B., C.M.G.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3.—Imperial Military Railways—
continued.

Sir Frederick Banbury—continued.

which apparently was subscribed by the original Government of the South African Republic before the date of annexation; what has that got to do with us?—On the ground that we inherited this liability when we took over the Government.

2972. But has it been the custom to inherit the liabilities of a nation when you go to war with them?—Not in all cases; but there have been cases similar to this one where the same liability was admitted. (Mr. Just.) We recognised, as a matter of fact, the concession to the company in connection with this railway.

2973. Is that the reason why you also paid a further sum to private individuals? The second sub-paragraph, I presume, refers to money paid to private individuals who were shareholders?—Yes.

2974. The result of the recognition you refer to is that you were obliged to compensate not only the original Transvaal Government, but also private individuals?—Yes, that was the result.

Mr. Cohen.

2975. The private individuals being the holders of these securities?—Yes.

Chairman.

2976. (To Mr. Blain.) Do you make any difference between the period before and after our annexation as to our liability?—Not in the case of this particular liability.

2977. But our guarantee to the shareholders did not come into effect until we annexed the country, did it?—No, but there was a guarantee given by the Government of the South African Republic, and this Government held that they were bound to fulfil the obligations that the South African Republic had taken upon themselves with regard to this guarantee.

2978. That applied to the whole time, both before and after the annexation?—Yes, the period for which the dividends had not been paid.

Mr. Cohen.

2979. Did we pay in respect of the period prior to the annexation for which the dividends had not been paid?—Yes, it was the period during the war.

2980. We paid those?—Yes.

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CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

ON VOTE 3.—*continued.*

GRANTS IN AID—TRANSVAAL AND ORANGE RIVER
COLONY.

Chairman.

2981. (To Mr. Kempe.) This was the case which you referred to last year, in which you were to send out an auditor?—Yes.

2982. He has audited all these accounts and found that they have been satisfactorily distributed, but a balance remained of over 188,000*l.*, available for issue on August 31st, 1904; is not that so?—Yes.

2983. Your auditor has examined all the distribution of this money, has he not?—That is so.

2984. He found it satisfactorily distributed?—Well, it had not then been distributed. When he came away it was allocated as described here, and 188,000*l.* was the balance. I may point out that paragraph 8 does not refer to the same Grant as paragraph 7.

2985. There was first a grant of 3,000,000*l.* voted as a temporary advance to the Colonial Government; that has been repaid?—Yes.

2986. Then there were two grants of 3,000,000*l.* and 2,000,000*l.*, making 5,000,000*l.*?—Yes.

2987. Has all that been expended except the 188,000*l.*?—The 3,000,000*l.* for free grants has been practically expended. The Central Judicial Commission, who have now the distribution of it, have not finally allocated the whole of the Grant, but we know they have spent a great deal more than 3,000,000*l.* in issuing supplies to burghers, therefore we are satisfied that the 3,000,000*l.* is all fully accounted for. That is the second 3,000,000*l.*

Mr. G. . . Bowles.

2988. I gather you are satisfied that the receipts and payments have been satisfactorily checked with regard to that 3,000,000*l.*?—Yes, so far as the issue of supplies goes.

Chairman.

2989. Then the burghers will be debited with all stores issued to them from the depots, and a corresponding reduction made from the sum allotted to them out of the Grant?—Yes, that is the system.

2990. Then accounts of all those are kept by the Repatriation Departments and the Central Judicial Commission?—Yes; the result has not yet been reported.

2991 Are

29 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. ENGELBACH, [Continued.
and Mr. JUST, C.B., C.M.G.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

ON VOTE 3.—*continued.*

GRANTS TO OTHER PERSONS IN RESPECT OF WAR
LOSSES IN THE TWO COLONIES.

Chairman—continued.

2991. Are you satisfied with regard to the distribution of the 2,000,000*l.* as well?—Yes.

2992. Did your officer examine into the allocation of the money to the natives as well?—Yes, that has been examined. The 200,000*l.* is also administered by the Central Judicial Commission. It is all under the same management and all equally well managed.

(Mr. *Just* withdrew.)

BOUNDARY COMMISSION.

Mr. *Goddard.*

2993. (To Mr. *Engelbach.*) With regard to the cloth which was missing, which is referred to in paragraph 9, the Comptroller and Auditor-General says that the value of the cloth has not yet been ascertained; is that question being inquired into?—It has been very fully inquired into so far as we could do so. The cloth was treated as currency in dealing with the natives, and it became of enhanced value: it appreciated in value at certain places, and therefore it was really impossible to say what was lost. Some of it was handed over to separate survey parties, and the Commissioner said it was really impossible to show exactly what the loss was.

2994. (To Mr. *Kempe.*) Are you satisfied now?—It is not a very large matter, but it appeared to us that the cloth was not wholly accounted for. Some of it was charged off in the account at its enhanced up-country value, and such charge covered the original cost of the whole, but a part of the balance of the cloth has apparently disappeared. It is a small matter, but we are not satisfied that the cloth has been accounted for.

2995. When you speak of it as a small matter, have you any idea what the amount would be; would it be 200*l.* or 300*l.*?—We do not know exactly, because we do not know what the enhanced value was, but the fact of the enhanced value makes a loss certain.

2996. (To Mr. *Engelbach.*) You say an inquiry has been made and is now closed?—Yes, the Treasury agreed to accept the explanation of the loss.

FII.

Chairman.

2997. (To Mr. *Kempe.*) Under the former arrangement referred to in paragraph 11, it appears that this sum due from Fiji would not have been paid under 100 years?—Not much under that time

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3.—Fiji—*continued.*

Chairman—continued.

2998. Now it will be paid by 1919, I think?—Yes.

2999. It will be paid in much larger instalments?—25,000*l.* has been, as a matter of fact, paid in the ten years.

3000. Now annual instalments of 5,000*l.* will be paid?—Yes.

WEST AFRICAN FRONTIER FORCE.

Mr. *Gibson Bowles.*

3001. (To Mr. *Kempe.*) I want to ask what you mean by the last line of paragraph 13: "The system appears to have proved a failure." What system do you mean there?—The Canteen System as it was applied in the West African Frontier Force.

3002. In your paragraph I can find no occurrence of the word "Canteen"?—It is in the marginal note—it ought to have been mentioned in the paragraph.

3003. As it stands it is a little puzzling?—Yes, I am sorry the word "Canteen" is left out.

EXPENDITURE OUT OF GRANTS IN AID.

NORTHERN NIGERIA.

Chairman.

3004. (To Mr. *Kempe.*) These accounts of Northern Nigeria have been transferred to London, have they not?—Yes.

3005. You have no officers out there now, I suppose?—Yes; we have officers out there.

3006. But are the accounts examined in London?—We have local officers out there; we examine the Revenue locally, and the expenditure in London.

3007. Are the matters which you mention as outstanding important?—No, they are small matters. They have practically all been settled.

WEST INDIAN ISLANDS.

(GRANTS IN AID OF LOCAL REVENUES.)

GRANT IN AID OF DEFICITS.

Mr. *Gibson Bowles.*

3008. (To Mr. *Kempe.*) With regard to paragraph 18, in the third sub-paragraph of the paragraph you state that "the balance remaining in the hands of the Crown Agents on March 31st, 1904, was 13,715*l.*" How do you regard that balance remaining in the hands of the Crown Agents; do you regard it as issued and done with?—

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CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3.—West Indian Islands—*continued.*
(Grants in Aid of Local Revenues)—*continued.*
Grant in Aid of Deficits—*continued.*

Mr. Gibson Bowles—*continued.*

with?—It has to be accounted for. They ask for an imprest, and it is issued to them.

3009. As regards the State, the issue is complete, is not that so?—It must be accounted for first. We may disallow something that is spent by the Crown Agents, or issued to the Colony, and spent wrongly by the Colony.

Sir Brampton Gurdon.

3010. It may be used for future deficits?—Yes.

3011. If there were no future deficits it would in time be surrendered, would it not?—No, I think not.

3012. It can only be used for future deficits?—Yes, that is all.

3013. Supposing the Colonies became very prosperous, and you went on for several years without a deficit on anyone, then you would probably call upon the Crown Agents to refund the money?—I do not know whether that would be possible. It might be pleaded, I suppose, that the Grant in Aid was the first expenditure, and the rest was by the Colony.

3014. (To Mr. Blain.) Do not you think you would call upon them to repay?—The Treasury would call upon them to repay, certainly, if they knew of it.

GRANTS IN AID OF THE SUGAR INDUSTRY.

Chairman.

3015. (To Mr. Kempe.) The total grant appears to have been 250,000*l.* in aid of the Sugar Industry?—Yes.

3016. Of that a balance remains unissued of 49,000*l.*, but where did they get the extra money that is given in these separate cases? You will see, for instance, Barbados alone gets 38,000*l.*?—That is out of the Grant of 250,000*l.*—it is part of it.

3017. That was preceding the balance being made up; this is what they got before the balance was struck?—What I have done here is to explain how the 250,000*l.* now stands.

Sir Brampton Gurdon.

3018. (To Mr. Engelbach.) These Grants have come to an end now, have they not; there will be no more of them?—Quite so.

Mr. Gibson Bowles.

3019. Taking, for instance, the Grant to Antigua of 18,500*l.*, has that come to an end?—It is all issued. We have not produced the evi-
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CIVIL SERVICE APPROPRIATION ACCOUNTS
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3—Grants in Aid of the Sugar
Industry—*continued.*

Mr. Gibson Bowles—*continued.*

dence yet that the Comptroller and Auditor-General has asked for of its expenditure. We are endeavouring to get it.

Sir Brampton Gurdon.

3020. Obviously these Grants must cease, because they were only given in lieu of the Sugar Bounties. The Sugar Bounties have ceased, and these Grants cannot go on?—That is so.

Mr. Gibson Bowles.

3021. Do we understand there will be no more of these Grants as at present advised?—Certainly there will not be, so far as I know.

3022. In regard to the case of Antigua, the paragraph in the Report says, "This sum has been placed on deposit pending its application to the improvement of an existing Sugar Factory"—that has now been removed from deposit and expended, as I understand?—You are speaking of the sum of 18,500*l.*?

3023. Yes?—Yes: I believe that has all been expended finally now.

3024. Then when you come to Barbados, in that case there is a Grant of 80,000*l.*, and the balance from the preceding year of 38,000*l.* has been used for repaying to the Colonial Bank sums advanced to the Government and lent by them to Owners and Receivers of Plantations. So that you have, in fact, by this 38,000*l.* been paying off private debts: is not that so?—I cannot say exactly what the purposes are, but we are producing accounts showing exactly how it is expended. I think it covers in some cases the repayment of advances.

3025. (To Mr. Kempe.) You have looked into the various repayments and the purposes?—Yes.

3026. You observe that your paragraph states that 38,469*l.* "has since been expended in continuing the repayment to the Colonial Bank of sums advanced to the Government, and lent by the latter to Owners and Receivers of Plantations." Was this the operation: the Government borrows money from the Colonial Bank and lends it to private persons, and 38,000*l.* has been expended in repaying to the Bank the sums lent to the Government to lend to other people?—Yes, the money was voted for the assistance of the Sugar Industry, and the Government, before they got the money, had already started a system for assisting the Sugar Industry with borrowed money, and when the Grant came they repaid the Colonial Bank.

3027. (To Mr. Engelbach.) Was there any balance left in 1904 of this Grant of 80,000*l.*?—The 80,000*l.* has been issued, but I do not think the whole of it has been accounted for yet in detail.

3028. (To Mr. Kempe.) Will any portion which
is

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Mr. JUST, C.B., C.M.G.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3.—Grants in Aid of the Sugar
Industry—*continued.*

Mr. *Gibson Bowles*—*continued.*

is not accounted for be surrendered?—It will not be surrendered unless we disallow it.

3029. For instance, if you found it was not expended for the purpose for which it was granted by Parliament, it would be disallowed, and have to be refunded?—Yes.

3030. (To Mr. *Engelbach.*) That is understood?—Yes. (Mr. *Kempe.*) Under the Convention it had to be issued to the Colonies before the 1st of September, 1903.

3031. (To Mr. *Engelbach.*) The fact is that this Grant in Aid, the British Guiana Grant in Aid, the Jamaica Grant in Aid, and the Trinidad Grant in Aid are all practically bounties for the sugar industry?—It comes much to the same thing.

BOTANIC STATIONS.

Chairman.

3032. (To Mr. *Kempe.*) There is a very small point as regards this paragraph 21; it seems to me that these figures do not exactly agree with the Account. In the first part of the paragraph the balance of 985*l.* added to the expenditure makes it exactly right, down to the figure 13,167*l.*, but when you speak of the certified expenditure as 12,398*l.*, if you turn to page 470 you will find it is 12,182*l.*—is it not a misprint, or something of that sort?—(Mr. *Engelbach.*) There is money kept in hand from year to year sometimes. (Mr. *Kempe.*) That is the explanation, the difference being met out of the balance in hand.

CENTRAL SUGAR FACTORIES.

Mr. *Goddard.*

3033. (To Mr. *Engelbach.*) In regard to paragraph 22, the balance of 9,570*l.* is the balance out of the grant of 10,000*l.* which was made in 1898-99, is it not?—Yes. It has now all been surrendered, including the interest.

3034. That was a question that was raised last year; it was then said to be surrendered?—Yes.

3035. I see there was an expenditure of 52*l.* 10*s.*; was that a fee to somebody, or what was it?—If I remember rightly, it was for some engineer who was sent over to see what might be done.

3036. But the amount has now been surrendered, you say?—Yes. It has been surrendered into the Exchequer.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—Foreign and Colonial Services—
continued.

On Vote 3.—Central Sugar Factories—
continued.

Mr. *Gibson Bowles.*

3037. (To Mr. *Kempe.*) You are satisfied as to that?—Yes. It has been paid into the Exchequer.

HURRICANE RELIEF.

Chairman.

3038. (To Mr. *Blain.*) With regard to the sum advanced on loans to planters, referred to in paragraph 24, it was found, I presume, that no more could be recovered?—Yes; the Treasury were assured it was impossible.

BECHUANALAND.

Mr. *Gibson Bowles.*

3039. (To Mr. *Kempe.*) With regard to paragraph 25, you say that certain questions of minor importance were still outstanding at the date of your report; are they still outstanding?—They are all settled now.

WEI-HAI-WEI.

Chairman.

3040. (To Mr. *Engelbach.*) As I understand, this Grant has been entirely issued; will not the Subhead disappear?—It depends upon the state of the Revenue and Expenditure of the Protectorate.

3040*. Is there, besides that grant, any other grant for Wei-Hai-Wei?—There is no other grant for Wei-Hai-Wei except this. It is in aid of the Local Revenue. (Mr. *Kempe.*) The whole of this sum has been issued in full.

3041. But there are Accounts besides?—Yes.

Mr. *Goddard.*

3042. (To Mr. *Engelbach.*) You answer for the Colonial Office Vote 6, Class 2, do you not?—Yes.

CLASS II.

ON VOTE 6.

COLONIAL OFFICE.

3043. Is this payment of 500*l.* a final payment in regard to the visit of the Secretary of State to South Africa?—Yes, that is the last payment.

3044. Is it a usual thing to pay for such expenses as that out of the Colonial Office Vote?—It was considered to be a special mission.

3045. Can

29 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. ENGELBACH, [Continued.
and Mr. JUST, C.B., C.M.G.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—*continued.*

On Vote 6.—Colonial Office—*continued*

Sir *Brampton Gurdon.*

3045. Can you tell us what the total cost was?—I think it was between 2,000*l.* and 3,000*l.* The last Appropriation Account will show that.

Mr. *Goddard.*

3046. Why was no provision made for it; it must have been known there were outstanding expenses in connection with the visit?—This particular further expenditure was not known at the time.

3047. But you knew there would be further expenditure, did you not, or was it supposed you had concluded all the expenditure?—It was supposed to have been concluded, and then this arose afterwards.

3048. It is exactly 500*l.*?—It is.

3049. It is a very exact sum?—Yes.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class II.—*continued.*

On Vote 6.—Colonial Office—*continued.*

Sir *Robert Mowbray.*

3050. Was there a supplementary estimate in the preceding year for this?—Yes, there was a special supplementary estimate.

3051. On which I see there was a saving of 786*l.*?—That is so.

3052. So that the total expenditure was within the original estimate?—Yes.

Sir *Brampton Gurdon.*

3053. Do you remember the amount of the Supplementary Vote the year before?—I think it was something over 2,000*l.* I see it was 2,200*l.*

(Mr. *Engelbach* withdrew.)

CLASS V.

ON VOTE 4.

CYPRUS (GRANT IN AID).

Mr. GEORGE WILLIAM JOHNSON, called in; and Examined.

Chairman.

3054. This is the very best year that Cyprus has ever had, is it not? I see it is the largest excess of Revenue?—The excess of Revenue appears to be very large here because in this year there was a very large Grant in Aid which was really two years' Grants in one. In the following year there was no Grant in Aid. The reason for the very large Grant was that in 1902-03 there had been a drought, and sanction was obtained for advances of seed corn to be made to agriculturists to set themselves right again. The whole of those advances were repaid and therefore the effect was that we ended up the year with a large balance in hand, and in the subsequent year came to Parliament for no Grant at all. In 1904-05 there was no Grant in Aid, so that the average Grant in Aid for two years was 43,000*l.* instead of 87,000*l.* as appears here.

3055. But you had in this year a Grant in Aid of 87,000*l.*?—Yes.

3056. If you deduct that from the Revenue, and if you deduct the 92,000*l.* Tribute from the Expenditure; you have a surplus of Revenue over Expenditure of 75,000*l.*?—Yes.

3057. Last year you had only 20,000*l.*; therefore this is a very exceptional year?—The year is not so very exceptional; because the previous year was so very bad. It happens to have been nearly the largest Revenue for the whole period,
03.

Chairman—*continued.*

but the previous year was about 40,000*l.* short. It was no doubt a good year for Revenue.

3058. It was a good year from the cereal harvest being so good, was it not?—Yes.

3059. If you turn to page 512 you will see it is the largest receipt of any year in that table; is not that so?—In 1891 it was a little bigger, but it was a very good year.

Mr. *Goddard.*

3060. Looking at the table on page 512, it does strike one that in 1891-2, when you had the largest local revenue, you had a very much smaller Grant-in-Aid—only 10,000*l.*; now it has jumped up to 87,000*l.*?—As I explained, that was really two years' grants in one.

3061. Even taking that into account, it is very large?—Then we had a surplus of 69,000*l.* over. The Grant-in-Aid had to be made larger because the advance came in on a certain date, and they were all repaid during the course of the year. At the beginning of the year Cyprus had no money in hand to make advances, and therefore it had to be obtained.

Chairman.

3062. The increase in the harvest increased the tithes, and the tithes increased the cost of collection; is not that so?—To some extent it has increased the cost of collection.

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3063 There

29 June 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, Mr. JUST, C.B., C.M.G., [Continued.
and Mr. JOHNSON.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—*continued.*

On Vote 4.—Cyprus (Grant in Aid)—*continued.*

Chairman—*continued.*

3063. There is an excess on the collection of revenue of 2,828*l.*?—Yes.

Sir Brampton Gurdon.

3064. The tribute money still goes to the payment of the guaranteed loan, does it not?—Yes.

Sir Frederick Banbury.

3065. I see in this year the local revenue was 215,000*l.*, and the expenditure 233,000*l.*; so that really the two items nearly balance with a difference of only about 18,000*l.*; is there any hope of the two items balancing?—There is very small hope, I am afraid.

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—*continued.*

On Vote 4.—Cyprus (Grant in Aid)—*continued.*

Sir Frederick Banbury—*continued.*

3066. On the average you will see the Grant in Aid has been about 30,000*l.* for the whole period, and it has been 30,000*l.* for the last ten years?—Yes, and for the earlier ten years, speaking roughly.

(*Mr. Johnson* withdrew.)

ON VOTES 5 AND 6.

No Questions.

WOODS, FORESTS, AND LAND REVENUES.

Mr. EDWARD STAFFORD HOWARD, C.B., and Mr. FREDERICK HELLARD, called in; and Examined.

Chairman.

3066*. (To Mr. *Hellard.*) In paragraph 1 of the Comptroller and Auditor-General's Report on this Vote I see a reference to various stations; for instance, the "construction of a station in subsoil under Park Crescent Garden, Regent's Park"; will you explain to us what those stations are?—They are stations on the Tube Railway, the Baker Street and Waterloo Underground Railway.

3067. (To Mr. *Howard.*) I observe in paragraph 3 there is an increase in the arrears of Crown Rents; that is to say, on March 31st. 1904, it amounted to 13,572*l.* instead of 9,988*l.*;

Chairman—*continued.*

have you any explanation to give us as to that?—That is partly owing to agricultural depression; that accounts for over 2,000*l.* The greater part of the balance really arose out of a Scotch case as regards some surplus teinds. I am afraid I can hardly explain it, as it is a most technical matter, unless I had all the papers here, and could go into it; but, as a matter of fact, 820*l.* is accounted for under that head, of which 533*l.* have to be written off as irrecoverable, and 286*l.* have been recovered since.

(*Mr. Howard* and *Mr. Hellard* withdrew.)

UGANDA RAILWAY ACTS, 1896-1902, ACCOUNT.

Chairman.

3068. (To Mr. *Kempe.*) As I understand 5,311,000*l.* has been issued already out of a total of 5,530,000*l.*; that is correct, is it not?—Yes, the account is quite correct, with the exception of the small item of 8*s.* 5*d.*, shown at the bottom.

Mr. Goddard.

3069. As regards the last paragraph, was another Vote taken to meet this 29,000*l.* in any way? It is said to be "met out of balances in the hands of the Accounting Officer in East Africa"?—It was issued directly it was wanted, but at the end of the year, there being a deficiency, they probably applied for the balance. The Treasury could answer that question better

Mr. Goddard—*continued.*

than I could. (*Mr. Blain.*) It would be issued from the Consolidated Fund after the close of the year.

3070. Has the 29,000*l.* passed into the Consolidated Fund?—It is issued out of the Consolidated Fund. We find the money required under the Acts.

3071. It says in paragraph 3 that this sum of 29,000*l.* "has been temporarily met out of balances in the hands of the Accounting Officer in East Africa." How came he to have that money in his hands?—By drawing bills on London, no doubt. The issue out of the Exchequer to cover the amount of those bills would not be made until the bills arrived in
London

29 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. JUST, C.B., C.M.G.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—continued.

On Vote 4.—Cyprus (Grant in Aid)—continued.

Mr. Goddard—continued.

London and matured. This railway account has come to an end now. All the money has been issued out of the Exchequer that will be issued,

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.

Class V.—continued.

On Vote 4.—Cyprus (Grant in Aid)—continued.

Mr. Goddard—continued.

and any further expenses fall on the Protectorate locally.

CLASS VI.

NON-EFFECTIVE AND CHARITABLE SERVICES.

ON VOTE 1.

SUPERANNUATION AND RETIRED ALLOWANCES.

Mr. F. D. A. WILLIS, called in ; and Examined.

Mr. Goddard.

3072. I observe under Sub-head D you took a Supplementary Estimate of 4,000l.?—Yes.

3073. But I see in the result you spent less than was granted?—Yes. Of course it is a very difficult thing to estimate the exact amount that will be required.

Sir Brompton Gurdon.

3074. The Supplementary Estimate was taken for a particular case, was it not?—Yes.

(Mr. Willis withdrew.)

ON VOTE 2.

MERCHANT SEAMEN'S FUND PENSIONS

Chairman.

3075. (To Mr. Blain.) With regard to this Vote I may say we have received a letter from the Treasury to this effect: "I am directed by the Lords Commissioners of His Majesty's Treasury to inform you, with reference to the Third Report of the Committee of Public Accounts, 1890, that after the present financial year My Lords propose, should the Public Accounts Committee see no objection, to transfer the Estimate for Merchant Seamen's Fund Pensions (Class VI., Vote 2) to form a Sub-head of the Estimate for Mercantile Marine Services (Class II., Vote 9), as the former Estimate is now reduced to the sum of 2,300l., and will continue to decrease until it disappears." It is still the wish of the Treasury that it should be so transferred, I presume?—Yes. It is a very small, dwindling service.

Chairman.] The Committee see no objection to that being done.

O.S.

Mr. Goddard.

3076. I notice that the certificate given by the Comptroller and Auditor-General on this Vote at the bottom of page 527 is quite different in form to the usual certificate. (To Mr. Kempe.) Is there any reason for that difference? The certificate here simply says: "I certify that to the extent to which a detailed audit has been applied this account has been found correct?"—I am not quite sure why it is put in that form. It is only a test audit.

3077. Is the account audited in the same way as other accounts?—Not quite the same, because we do not examine every pension, for instance; we examine a certain proportion of them; and I suppose that is what is meant by the alteration in the form of the certificate.

Sir Brompton Gurdon.

3078. It is a test audit only, you say?—Yes, but other Votes are test audited also where the certificate does not take that form.

ON VOTE 5.

SAVINGS BANKS' AND FRIENDLY SOCIETIES'
DEFICIENCIES.

Chairman.

3079. (To Mr. Kempe.) Are the deficiencies under this Vote increasing?—They vary every year.

3080. (To Mr. Blain.) I see under each of these Sub-heads they had to have a Supplementary Estimate?—In this case there was a Supplementary Estimate because the deficiencies of two years were voted in the same financial year.

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3081. 1s

29 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. JUST, C.B., C.M.G.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class VI.—Non-effective and Charitable Services
—*continued.*On Vote 5.—Savings Banks' and Friendly
Societies' Deficiencies—*continued.*Mr. *Goddard.*

3081. Is that the explanation why, in the case of the Post Office Savings Banks, in the year ended the 31st December, 1902, there was a profit of over 30,000*l.*, while in the following year it required a Supplementary Vote of over 100,000*l.* to meet the deficiency?—No. The reason of the difference in the results of those two years was that in April, 1903, the interest on Consols was reduced, and that threw the income of the Post Office Savings Banks into a deficiency, whereas previously it had shown a surplus.

3082. But there was an arrangement whereby there was a reserve fund made to provide against depreciation of that kind, was there not?—No; in the year in which there was a profit on the Annual Income Account, a portion of the profit was set aside to form a fund to provide against depreciation in the capital value of the securities. But since 1876 it has always been necessary to take an Annual Vote whenever there was a deficiency on the income of either of the Funds.

3083. 100,000*l.* is a very large sum?—There was a reduction of $\frac{1}{4}$ per cent. on the amount of Consols held in these Funds, which is something like 100 millions.

3084. Then the difference I have pointed out is solely due to that, is it?—Yes.

ON CLASS VII.

MISCELLANEOUS.

ON VOTE 1.

TEMPORARY COMMISSIONS.

Mr. *Goddard.*

3085. (To Mr. *Blain.*) Is there no better way of estimating for this Vote for Temporary Commissions? There is always a much larger amount taken than is required; there is a considerable excess, is there not, each year?—In some years it has been only enough to meet the requirements, and we have had to take Supplementary Estimates when the Government, for one reason or another, has appointed a Royal Commission. For instance, to take the Royal Commission just appointed, it was impossible to make any provision in the Estimates for the expenses of that. We do the best we can to provide for such Commissions as may be appointed in the year without any knowledge of what they may be.

3086. In the case of the Royal Commission which you have mentioned, you will have to take

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class VII.—Miscellaneous—*continued.*On Vote 1.—Temporary Commissions—*cont.*Mr. *Goddard*—*continued.*

a Supplementary Estimate I presume?—Not if we have a sufficient margin on the Vote this year.

3087. Then you must have a very much larger sum than you require in that case?—A larger sum than we would have required if the Commission had not been appointed. We do our best to anticipate what will be required.

3088. You did not know when the Estimate was framed that this Commission was going to be set up; therefore, you could not have included it in the Estimate?—We take it frankly on that ground. It is provision for unforeseen Commissions.

Chairman.

3089. Can you tell us about the progress of the Sewage Disposal Commission; it was appointed in 1898, was it not?—Yes.

3090. What is causing the great delay about it?—It is a very difficult question, of course, which they have to deal with, and one which scientific men have been trying to solve for, at any rate, half a century; and I presume we should not grumble at the time taken over it, if they are able to arrive at a satisfactory solution. But I think there is good reason to believe they are getting within sight of their final Report now.

3091. According to the note here, "certain investigations which the Commission proposed to make in the year 1903-4 had to be postponed." They were not making much progress then?—No, but since then sundry proposals which have come before the Treasury recently from them indicate that they ought to be able to bring their proceedings to a close before very long.

3092. With regard to the South African War Commission, does this 2,000*l.* express the whole amount that it cost?—2,096*l.* is the cost.

3093. That is the total cost?—Yes.

ON VOTE 4.

ST. LOUIS EXHIBITION.

Mr. *Goddard.*

3094. (To Mr. *Blain.*) As regards this Vote, I see there was a Grant in Aid of 30,000*l.*, and a Supplementary Grant of 50,000*l.*; at the end of the year there was 32,000*l.* odd in hand. What happens to that balance in hand? I suppose there was other expenditure to come in, but if there is any balance over it will be returned to the Exchequer I presume?—The Exhibition had not begun at the period this account closed; most of the expenditure had to follow after that date, and another Vote was taken in the following year.

3095 I

29 June 1905.]

Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. BLAIN, and
Mr. JUST, C.B., C.M.G.

[Continued.]

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class VII.—Miscellaneous—*continued.*On Vote 4.—St. Louis Exhibition—*continued.*Mr. *Goddard*—*continued.*

3095. I notice on the Estimates for the year 1903-04, when the original 30,000*l.* was taken, there is a note which states that this Grant is for the period ending March 31st, 1904, and then it says, "Any further contribution which may be decided upon will be provided for in the Estimates for subsequent years." That being so, why was there this Supplementary Grant of 50,000*l.*?—At the time the original estimate was prepared the Treasury hoped to get off with a much smaller contribution to the St. Louis Exhibition than was afterwards found necessary.

3096. I am not complaining of the amount that was granted, but rather of the form. It was stated upon the Estimates that any further sums required would be brought into the Estimates for subsequent years. That was plainly stated on the Estimates of 1903-04; but instead of that a Supplementary Estimate of 50,000*l.* was rushed through, which evidently was not needed, because it left a balance of 32,000*l.* in hand?—The position was that when the original Estimate of 30,000*l.* was presented the Treasury hoped it would be sufficient to provide a much smaller total sum for the expense of the British Commission than was afterwards found to be necessary. Then pressure was put upon the Government, particularly by comparisons with the amounts which other countries were devoting to the purpose, and the Treasury agreed to give a larger total sum. It was not rushed through at the end of the year. This Supplementary Estimate was taken in July—nine

CIVIL SERVICE APPROPRIATION ACCOUNTS,
1903-1904.Class VII.—Miscellaneous—*continued.*On Vote 4.—St. Louis Exhibition—*continued.*Mr. *Goddard*—*continued.*

months before the close of the year. The Treasury then took what was estimated to be enough to last the Commission to the end of that Financial year.

3097. The Supplementary Vote was taken in the same Session as the 30,000*l.*, was it?—Yes, they were taken together.

3098. That alters the case. I thought it was taken in the spring of the next year?—No, it was taken in July, 1903.

ON VOTE 7.

IRELAND DEVELOPMENT GRANT.

Chairman.

3099. (To Mr. *Blain.*) Do I understand that this Grant is to be reduced in the next year after this to two-thirds?—No: in the year under review it was to be two-thirds of the normal annual amount. This was the first year of the Grant, and it was made to date from a period later than the beginning of the year. In every subsequent year the full sum of 185,000*l.* is to be voted.

3100. Why was it only 123,000*l.* in this year?—It was in a sense an equivalent grant to a sum of money that had been given in England and Scotland, and it was provided in the Ireland Development Grant Act, 1903, only two-thirds of the full grant should be paid in the first year.

Wednesday, 5th July 1905.

MEMBERS PRESENT :

Sir Frederick Banbury
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Goddard.

Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., called in ;
and Examined.

Sir GUY D. A. FLEETWOOD WILSON, K.C.B., called in ; and Examined.

Mr. Gibson Bowles.

3101. (To Mr. Chalmers.) There are some papers which I should like to ask you to give us. Could you let us have all letters and minutes which have passed between the Treasury and the War Office with reference to losses on stores for South African War?—I will put in all the correspondence I can trace.

The witness handed in the correspondence (vide appendix.)

3102. (To Sir Guy Fleetwood Wilson.) I have here a list, which I will hand to you, of certain papers which I will ask you to give us, namely (1) Statement prepared by General Officer Commanding in South Africa in accordance with the War Office promise, referred to in paragraph 84 of the Comptroller and Auditor-General's Report, dated January, 1904; (2) Report of General Officer Commanding in South

Mr. Gibson Bowles—continued.

Africa on Sales of Surplus Stores in South Africa, referred to in paragraph 83 of the Comptroller and Auditor-General's report; (3) Report from General Officer Commanding in South Africa in July, 1903, quoted by the Comptroller and Auditor-General in paragraph 86; (4) Report from General Officer Commanding in South Africa on Customs duties on biscuits, referred to in paragraph 88 of the Comptroller and Auditor-General's Report; (5) General Sir Neville Lyttleton's Report, dated 13th February, 1905, with regard to stores; (6) Colonel W. A. Dunne's minute of about April, 1903, on contract for groceries, in spite of existing large stocks in South Africa. (1) and (2) may be identical—I do not know how that may be?—The procedure I shall have to go through will be to express your desire to the Secretary of State to have the papers, and it would be for him to authorise the issue of them. I cannot give you the papers myself.

STORE ACCOUNTS OF THE ARMY.

ON POSTPONED PARAGRAPH 19.

SHORT WEIGHT OF JAM.

Major-General R. AULD, called in ; and Examined.

Chairman.

3103. What is your present position at the War Office?—I am the Director of Supplies and Clothing.

3104. Were you not Assistant-Quartermaster-

Chairman—continued.

General at the end of the war?—I was Assistant-Quartermaster-General at the end of the war, and in April, 1902, I became Deputy-Quartermaster-General.

3105. I

5 July 1905.]

MR. CHALMERS, C.B., MR. KEMPE, C.B., MR. GIBSON, C.B., and
Major-General R. AULD.

[Continued

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued*.On Postponed Paragraph 19—*continued*.Short Weight of Jam—*continued*.*Chairman*—*continued*.

3105. I understand you have given some attention to this question of the jam contract, which is mentioned in paragraph 19 of the Comptroller and Auditor-General's Report?—Only quite recently, not at the time; because at the time I was Assistant-Quartermaster-General I was in charge of transport.

3106. But you know something about it now?—From what has passed.

3107. I should like to read to you the paragraph of the Comptroller and Auditor-General's Report, which will put you in possession of what we are going to inquire into now: "It was noticed in the Durban Supply Account for July, 1903, that 337,704 lb. of jam had been written off charge under the following circumstances. On the sale of surplus jam remaining on hand after the close of the war, the contractor who purchased it found that large quantities of tins contained only 12 oz. of jam; and, as 1,350,816 of these tins were held on charge as containing 1 lb. of jam each, it became necessary to write off charge 337,704 lb. in respect of the short weight of 4 oz. in each tin. It was seen on reference to some of the contracts for purchase of jam that they included a provision that it should be supplied in tins containing 1 lb. each. I, therefore, requested that information might be furnished as to the terms of the contracts in these cases, and as to the examination given to insure that full contract weights were delivered, also whether any other cases of short weight had been brought to notice, and finally whether the deficiency was investigated at the time by a Court of Inquiry and reported to the Treasury. To these inquiries, which were addressed to the War Office on 26th April, 1904, I have up to the present received no reply. The item of 1,583*l.* shown on the list of losses, etc., on page 176 of the Account represents this deficiency, not at the purchase price of the jam, but at the rate at which the surplus jam was sold at Durban." Now will you proceed to tell the Committee what you know about this matter?—Personally I knew nothing until the matter was investigated lately, because it did not come under my purview at all at the time. The supply portion was then administered by Colonel Dunne. He was the officer responsible for supplies at the War Office; and although I was Deputy Quartermaster-General, the matters that he had to take up would be directed to the Quartermaster-General, so that I am sorry I can give no information further than what I know has happened since.

3108. Since when do you mean?—The case has been reported to the Treasury, and I believe they have allowed a write off, and it was only the final letter which was written to the Treasury

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ARMY APPROPRIATION ACCOUNT, 1903-1904

Store Accounts of the Army—*continued*.On Postponed Paragraph 19—*continued*.Short Weight of Jam—*continued*.*Chairman*—*continued*.

that I saw; and that enlightened me as to the whole circumstances of the case.

Mr. Victor Cavendish.

3109. What was the date at which you first of all became aware of this?—I really cannot say; it was some time this year. I am alluding to the reply to the Audit query.

Mr. Gibson Bowles.

3110. But was it in the early part of this year?—I should think it was two or three months ago, so far as I remember; but I have no notes as to this before me.

Mr. Herbert Lewis.

3111. The Comptroller and Auditor-General's Report is dated the 31st January?—Yes.

3112. Did you become acquainted with it through the Comptroller and Auditor-General's Report?—Yes.

Chairman.

3113. By whom would this contract for jam have been made?—It was made, I presume, by the Director of Contracts; it was a contract made in the Australian Colonies.

3114. (To Sir Guy Fleetwood Wilson). Would Sir Alfred Major be able to answer as to the terms of the contract?—I think Sir Alfred Major would be the witness to give you all the details as regards the conditions and method under which the contracts were made, and General Auld would rather be the witness to give you all the particulars as to the conditions under which these things were received, held on charge, issued, condemned, and destroyed. I should say that is, roughly speaking, the general line.

3115. But this jam was not condemned or destroyed at all?—I was not speaking only of the jam. I was speaking of all the supplies. As to the condition of the supplies, which justified their being sold, General Auld would speak to that. As to the way we got them, Sir Alfred Major would be the person to speak.

Mr. Gibson Bowles.

3116. (To General Auld). Do you know anything about this surplus jam mentioned in the paragraph which has been read to you?—Yes; of course we knew that it was more than we wanted; and then it had to be disposed of.

3117. Is it the fact that some of the jam was short in weight; do you know that?—I have heard so.

3118. Is there anything you know, of your own knowledge, with regard to this jam?—Only what has come to my knowledge since that time. The records would be in my office, certainly.

3119. Can

5 July 1905.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Major-General R. AULD.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued*.On Postponed Paragraph 19—*continued*.Short Weight of Jam—*continued*.Mr. Gibson Bowles—*continued*.

3119. Can you tell us what your records show as regards this jam?—I was not prepared to be asked any questions upon this matter, and therefore I have no notes before me from my office; but I believe records exist.

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued*.On Postponed Paragraph 19—*continued*.Short Weight of Jam—*continued*.

Chairman.

3120. I think we had better take Sir Alfred Major's evidence to begin with, as he knows about the contract?—Yes.

Sir ALFRED MAJOR, called in; and Examined.

Chairman.

3121. You heard the terms of the paragraph of the Comptroller and Auditor-General's Report, which I read?—Yes.

3122. The first question I wish to ask you is, was there nothing said in the Contract as originally made with regard to the amount of jam in each tin?—We ordered them in 1 lb. tins or 2 lb. tins, as the case may be.

3123. Not specifying how many ounces?—Without stating how many ounces.

3124. Then there is a misunderstanding, is there not, that in the Colonies they sell the jam as 12 oz. in a tin?—No, not as 12 oz.; they sell what they call nominal weight.

3125. What does that mean?—The general interpretation of nominal weight at the War Office, and I think it is so, practically, is that the tin contains about 14½ oz. The nominal weight means the tin including the jam weighs 1 lb. The tin, as a rule, weighs somewhere about 2 oz., rather under than over; therefore, taking a 1 lb. tin of jam, if put into the scale it would weigh 1 lb., but if you emptied out the jam, the jam would only come to about 14 oz. or 15 oz.—less rather than more than 15 oz.—say 14½.

3126. When this jam was sold, was that understood; was the tin sold as containing 16 oz.?—That, of course, is the point. I have no knowledge of the circumstances under which the sale was made, but Sir Guy Fleetwood Wilson, who appears to have given full evidence on the subject, so far as I can see, states the facts exactly.

3127. It was sold as containing 16 oz., and therefore necessarily there would be a refund?—I think there was an unfortunate mistake on the part of the Army Service Corps Officer. He had it, no doubt, on charge in his book as 1 lb. tins, not knowing, probably, whether they contained 16 oz., or 14 oz., or 12 oz., or whatever it was. He sold them as 1 lb. tins. The contractor alleges, I believe, that he considered that each of those tins contained an exact pound of jam, and that was not the case. Therefore, if he bought on that presumption, and made it clear in his tender that

Chairman—*continued*.

it was for that quantity, he was clearly entitled to a refund. But there was no loss to the public in the matter; the public were selling less than they thought they had to sell.

3128. It was simply a misdescription that the tin contained 16 oz. when it only contained at the most 14½ oz.?—That is all.

Sir Brampton Gardon.

3129. If the contractor had known they were nominal weight, he would have tendered at a less price?—Certainly.

3130. Therefore you think there is no loss to the public?—There is no loss to the public

Mr. Gibson Bowles.

3131. But the Comptroller and Auditor-General informs us that the contracts "included a provision that the jam should be supplied in tins containing 1 lb. each." (To Mr. Kempe.) You have seen these contracts, I understand?—I have seen a great many of them. There is a great variety in the description. The orders were given in various terms—some were described as so much per dozen lbs.; some in 1 lb. tins at so much per dozen, and some are so much per dozen tins in tins containing a pound each.

Chairman.

3132. (To Sir Alfred Major.) Have you read this answer of the War Office to Query 14, put by the Comptroller and Auditor-General, which is set out in answer to Question 361?—I have.

3133. Do you assent to all that?—I entirely agree with that answer.

3134. Therefore you entirely agree with the explanation which Lord Donoughmore gave in the House of Lords upon the subject?—I was alluding particularly to this Answer 361.

3134. It is said to be in accord with what Lord Donoughmore stated in the House of Lords?—Yes. I see Sir Fleetwood Wilson says it is in accord with it, and I presume that to be so. I only read the explanations in the Press, and they are not always correctly recorded there

5 July 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir ALFRED MAJOR.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*

On Postponed Paragraph 19—*continued.*

Short Weight of Jam—*continued.*

Chairman—*continued.*

there; but so far as that answer is concerned I quite agree.

3136. Is there any truth in what was stated in the House of Lords that jam deteriorates by being kept; that there forms in some way or other a sort of crust which also diminishes the weight?—That is a question for an expert, and if you would not mind I would rather you asked General Auld a question of that kind, as that would be his business, not mine.

3137. (To Sir Guy Fleetwood Wilson.) In Answer to Question 359 you say that is the opinion of the experts?—I said I understand it is "the opinion that is put forward by the Quartermaster-General, who has been making very close inquiries into the whole thing." I found that on the Office papers, and I presume they have some ground for making that statement.

3138. We will ask about that later on?—Quite so.

Sir Robert Mowbray.

3139. (To Mr. Kempe.) When you were last examined, I think, on this point, at Question 363, you then said, "I have had no opportunity of considering" that reply of the War Office in answer to Query 14, which has been referred to?—At the next meeting I put in a memorandum commenting on the War Office reply. In answer to Question 606 I read a memorandum.

3140. (To Sir Alfred Major.) I understand there were a great many contracts?—Yes.

3141. Did you sign them all?—These orders for jam were not given in a regular form of contract; they were given through the Agent-General. The letters giving the order would either be signed by me or by my assistant.

3142. What I wanted to get at was why the conditions (if I may use the word) varied in different cases?—Sometimes we should have offers made for 1 lb. tins or 2 lb. tins of jam. For instance, the first offer that was made to me by a Colony for jam was in the shape of 100 tons. They said they could supply 100 tons of jam at such and such a price, say 35*l.* a ton. We were very anxious to do business with the Colony, and we wrote back and said that, provided they could put it into 1 lb. or 2 lb. tins, and pack it so many dozens in a case, we would take a 100 tons. That was the way in which the order was given. It was all done by telegraph; therefore, of course, one could not enter into great detail.

3143. In fact, the contracts were an acceptance by you of offers from the Colonies, rather than terms you were laying down and asking the Colonies to agree to?—Quite so.

3144. Did you furnish the people in South Africa with any details as to the terms on which

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*

On Postponed Paragraph 19—*continued.*

Short Weight of Jam—*continued.*

Sir Robert Mowbray—*continued.*

these things were to be sent?—They would have knowledge of the terms on which we gave the order, certainly. They would know there were, for instance, 100 tons of jam coming from South Australia, and that it was to be packed in 1 lb. or 2 lb. tins with so many dozens in a case.

3145. When they took them on charge in South Africa they would be able, or ought to have been able, to know the different conditions under which the different consignments might arrive?—Well, I could not really say what they ought to have done in South Africa with regard to these things.

3146. I am asking whether from the War Office at home sufficient information was sent out to them to make it possible for them to know that?—I do not think they could absolutely decide upon the order that was sent out in many of these cases whether the jam would be 16 oz. net weight in the tin; they knew exactly the terms upon which we had accepted the offers. But our acceptance of the offers was a little vague, that is to say, we called it jam in 1 lb. or 2 lb. tins; those were the terms upon which we got the offer; and working as we were by telegraph, and at the very highest possible pressure at the particular time, and being very anxious to give the Colonies the order, we took the offer as it was made. As a matter of fact, we were not quite certain whether they were 1 lb. net or 1 lb. nominal; but we accepted the offer because the prices, whether they were nominals or whether they were actuals, were reasonable; therefore there was no loss and no neglect of the interests of the public in regard to price, whether we got nominals or actuals.

3147. Who would be the actual people who would take this jam on charge when it arrived at South Africa?—The Army Service Corps people.

3148. Who was the actual person responsible?—General Auld will be able to tell you as to that; I would not know the personnel.

Mr. Goddard.

3149. I understand you were responsible for the purchase of these things?—Yes.

3150. You had nothing to do with the sales afterwards?—No.

3151. Did you expect to get 100 tons weight of jam when you bought this 100 tons?—In the case of the 100 tons of jam we actually got 100 tons.

3152. Do you mean including the tins?—No, without the tins. I believe the delivery was 100 tons excluding the tins.

3153. There were 16 oz. of jam to the pound in that case?—I believe so.

3154. Then with the case of the 100 tons we have no further concern?—None whatever.

3155. I want to know something about these

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purchases

5 July 1905.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir ALFRED MAJOR.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 19—*continued.*Short Weight of Jam—*continued.*Mr. *Goddard*—*continued.*

purchases that you made where the question of nominal weight came in; were those later?—Those were later.

3156. Did you buy this jam in quantities of 100 tons?—No, it was mostly bought by the dozen tins, at so much per dozen tins.

3157. But you did not make the contract per dozen tins?—For hundreds or thousands of dozens. We bought over 7,000,000 lbs. of jam from the Colonies.

3158. You made a contract for a certain number of dozens?—That is so.

3159. Were they 1 lb. weights?—As I said before, we had offers from the Agents-General for so many pound tins of jam.

3160. Does that refer to these subsequent purchases?—Yes, the subsequent purchases too; sometimes they mentioned nominal and sometimes they did not.

3161. At this stage of the transaction did you understand that difference between nominal and actual?—Oh, yes.

3162. You knew that in some cases you were getting 14 ozs. and in some cases you were getting 16?—Yes.

3163. And you did not make any difference in the price?—Oh, yes, there was a difference in the price.

3164. There was a difference in the purchasing price, was there?—Yes.

3165. Then the difficulty was afterwards, in selling them; did your duties go to receiving these things when they were purchased?—No.

3166. You had nothing to do with seeing that the contract which you had made was faithfully performed?—No.

3167. That did not come before you?—No. These were received, of course, in South Africa.

3168. I did not mean you personally, but I meant your department?—The Agents-General or the Local Colonial Government were responsible for seeing that the contract was faithfully executed.

3169. But that was on the other side?—On the other side. They acted as our agents.

3170. But the point I want to get at is whether those who received the goods knew about it. I see in the answer that was given at Question 606 it is stated that there was little trace of examination of the consignments on behalf of the War Office on their arrival in South Africa?—Yes.

3171. That is the point I want to get clear up; had you anything to do with that?—No.

3172. Who would have to do with that?—The Quartermaster-General, I think. (Sir *Frank T. Marzials*) Perhaps I may say as regards the quality of the goods we trusted to the Colonial Government.

3173. (To Sir *Alfred Major*.) So far as I can gather, the only check upon the correctness of

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 19—*continued.*Short Weight of Jam—*continued.*Mr. *Goddard*—*continued.*

weight was from the sellers; there was no check upon it at all when the goods were received?—

Yes, pardon me, there was. The inspectors of the Colonial Government checked the deliveries as they were made by the manufacturers.

3174. They were independent of the seller?—Quite, they acted just as our own Inspectors would act at home. That was the protection we had in all our Colonial purchases.

3175. Has this question of the difference of weight been submitted to these Inspectors; have we got their views upon the matter?—It has not been submitted by me, but I have retired from office nearly two years ago.

3176. Do I understand when you have signed a contract for the purchase of certain things your responsibility ends, and you have nothing to do with seeing that the goods are received or delivered, or anything of the kind?—When a contract is notified to the proper people who are charged with receiving the contract, my duty ends, unless they report to me that the contract has not been fulfilled.

3177. And in this case there was no such report made to you?—No.

3178. It was only discovered later on?—Yes.

3179. You were aware when you signed these contracts that they were different in form?—I saw that sometimes the offers were made in 1 lb. tins and 2 lb. tins; sometimes they were put as nominal 1 lb. tins, and sometimes they were put as net weights. We accepted the offers as they were made.

3180. Then when they arrived in South Africa you knew you had a mixed quantity?—Yes.

3181. Having purchased them, and knowing they were mixed weights, were the proper authorities to receive them informed of that?—They had the same information as we had. We accepted the offer as it was made, and the acceptance of the offer was communicated to them. They know perfectly well in South Africa that these tins of jam did vary in weight; they must have known that.

Mr. *Herbert Lewis*.

3182. How would they have known that. Were particulars of the contracts sent on to them for inspection?—Yes.

3183. In paragraph 19 of the Comptroller and Auditor-General's Report it is stated that "It was seen on reference to some of the contracts for purchase of jam, that they included a provision that it should be supplied in tins containing 1 lb. each." I understand you to say that that was so in a number of cases?—It was so in a number of cases.

3184. Do you know whether that condition was in these particular cases fulfilled in every instance?—Well, I should not get a report on that

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir ALFRED MAJOR.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 19—*continued.*Short Weight of Jam—*continued.*Mr. Lewis—*continued.*

that question unless the Inspector of the Colonial Government reported it. I may say in the first place the local Inspectors of the Colonial Governments would be supposed to reject the goods if they did not come up to the description.

3185. Could you tell us what was the difference in the price between nominal pound tins and actual pound tins?—I could not tell you that generally, because, of course, the offers came at different times, and I could not compare the prices; but where we were able to fix the difference there was a difference of 3d. or 4d. on a dozen tins. The little extra quantity of jam would not come to very much in value; taking the cost of the tin and the cost of packing and all that sort of thing, the little extra jam would not represent a very large amount.

3186. The point of my question was this: This statement of the Comptroller and Auditor-General seems to be quite specific, that "some of the contracts for purchase of jam" "included a provision that it should be supplied in tins containing 1 lb. each." I understood you to say afterwards that that really meant 1 lb. in weight of jam?—Yes.

3187. The only way by which we could ascertain whether these contracts were faithfully fulfilled would be by reference to the Colonial officers, I presume?—I thought they had settled the weight, too, but Sir Guy Fleetwood Wilson tells me that the weight was not determined in the Colonies. I suppose they weighed a certain number of them and were satisfied. I do not know what their test was. General Auld would be able to tell you about that.

Sir Frederick Banbury.

3188. I understand that jam was purchased in different weights; some tins containing 16 oz. and some 14 oz.?—That is so.

3189. But in each case you paid a proportionate amount?—Yes.

3190. That is to say, you never paid for 16 oz. of jam and only got 14 oz.?—Never, so far as I know. There was not the slightest fraud or deception in the matter, so far as we know, and we do not believe that there was, for a moment.

3191. Did the varying weights apply only to the Colonies?—That is all.

Mr. Herbert Lewis.

3192. (To Sir Guy Fleetwood Wilson.) May I ask whether specimens of these contracts can be put in, if they have not already been put in, for the information of the Committee?—I remember putting in specimens of the contracts, I think, for the oats, but I believe I did not put them in for jam.

3193. Would it be possible for the Committee to have specimens of these contracts?—(Sir 0.3.

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 19—*continued.*Short Weight of Jam—*continued.*Mr. Lewis—*continued.*

Alfred Major.) They were not formal contracts; they were letters written accepting the offers. The offers were made by telegram, and letters went to the Agents-General accepting the offers if they were satisfactory.

3194. Still, we could have those letters, could we not?—Yes.

Mr. Goddard.

3195. I understand the information has been supplied to the Comptroller and Auditor-General; he has copies, can we have the same thing that has been supplied to him?—(Sir Guy Fleetwood Wilson.) Certainly, there is no question as to that.

3196. I should like to have a specimen of each kind of contract?—I understand.

Chairman.

3197. (To Mr. Kempe.) If you will look at the answer to Question 606, you will see you say there "It is of course possible that full value was obtained for the price paid, but I have no means of ascertaining this. That would have been the view I should have taken, and possibly put in a shorter way in the Report, if I had had the answer to the query before I wrote the Report." May I ask if you adhere to that?—Yes, certainly.

ON POSTPONED PARAGRAPH 17.

CONDEMNATION OF RATIONS AT HOME.

Chairman.

3198. (To Sir Guy Fleetwood Wilson.) The questions I have to ask in the first instance in regard to this paragraph, relate rather to yourself; there are two sorts of rations, emergency rations and meat and vegetable rations?—That is so.

3199. But there was a large quantity of rations destroyed in South Africa which were supplied by various contractors—not by Messrs. Maconochie alone; was not that so?—Yes, I have given considerable evidence in regard to that case, which I think extended over two or three days. I should like, if you will allow me, to refer to my answers given then, because all this evidence may go before the Royal Commission, and I do not want to contradict myself.

3200. You gave distinct evidence that several contractors supplied those rations?—Yes, certainly.

3201. Before those rations were destroyed, a Committee sat upon them?—Yes.

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3202. A

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Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.**Chairman—continued.*

3202. A Committee composed of various officers, and Mr. Flynn of your Department?—That is so.

3203. And that Committee reported first that their "destruction was absolutely necessary"; secondly, that the "deterioration was hastened by want of proper storage"; thirdly, "the stacking of stores in the open was unavoidable"; and fourthly that "the officers had performed their duties satisfactorily, and that the losses were due to circumstances beyond their control"?—That is the Report of the Committee.

3204. Then unless we can go behind the Report of that Committee it seems to me almost impossible that we can open the question of the rations destroyed at Durban?—I do not think you can, because every machinery that is available has been employed to get at the bottom of the case. Certainly the officers composing that Committee had no reason to suppress evidence, or not to seek out every particular. They have gone into the matter fully, and that is their verdict.

3205. Quite so. Now with regard to the rations at home, it is stated in paragraph 17 that there were 497,125 emergency rations which were supplied by Messrs. Maconochie, and were returned to them as being bad rations?—Yes.

3206. Of those, 365,600 were replaced by the contractor, but many of them have since been found unsound; then you gave evidence that only sufficient pemmican for 98,794 rations was given for the first delivery?—That is so.

3207. In other words, four-fifths of the rations which were returned as bad to Mr. Maconochie were necessarily so from his own fault, and there is no reason to introduce the question of War Office pemmican in regard to those rations?—I should like to refer to the answers I gave on the previous occasion, because it is important not to have two sets of replies. I do not see the passage in my evidence as to that at the moment, but at any rate I can say that the question of the pemmican was very fully gone into by me, so far as I was able to go into it, in my previous evidence, and that nothing has happened since to enable me to correct or to modify that evidence, and that the case of the pemmican is distinctly laid down in that evidence. There is no doubt that some portion was not in any way affected by the Woolwich pemmican. That, I think, is your point.

Chairman.

3208. You will see it is referred to in your answer to Question 188. You say there, "We issued enough pemmican to make 98,794 rations," that is out of 497,125?—Yes.

3209. Therefore, as I said before, four-fifths of the rations supplied by Messrs. Maconochie in

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the first instance (which rations never went abroad) were found to be bad?—Yes.

3210. They went bad within the two years; that was the number of them?—That is the number of them.

3211. Messrs. Maconochie admitted their wrong, and replaced 365,600 of those rations?—Yes. I wish to be fair to them again, as I was on a previous occasion; they admitted their wrong up to a certain point: they said they would rather replace them than lose their good name.

3212. Then Messrs. Maconochie replaced 365,600, some of which were bad, and they subsequently paid in consideration of not replacing the whole, 2,500l.?—Yes, and surrendered the damaged stuff. I am afraid I may perhaps have indicated too high a value when I last gave evidence in regard to the rations that had been returned to us. I am not very hopeful of getting very much out of them.

3213. Of course it was a good bargain for you to get anything in the way of money, because the rations would not have been any use?—Yes; we should have been loaded up with rations which could not have been issued to the troops, and would have had to be condemned and destroyed.

3214. Have you received any communication from Mr. Maconochie since you were examined here?—I do not think so. Letters may have come in from him in regard to other contracts, if he has any going on; I have no recollection of seeing any letters from him. Nothing has been addressed by him to me in regard to my evidence.

3215. I only wish to get the general facts from you, and then I will ask Sir Alfred Major later on about the contracts?—Quite so.

Mr. Gibson Bowles.

3216. I want to ask a question as to your acceptance of the 2,500l., plus some rations, as full settlement. The Treasury, I think, did not approve of that settlement?—The Treasury have approved it.

3217. Did they approve at the time? When was the settlement arrived at; it was in 1904, was it not?—No, it was while this Committee was sitting, or just before it.

3218. I did not mean the final settlement?—I thought you meant when we received the money.

3219. I mean the offer of settling by the payment of this money?—We did not get an offer in the first instance of 2,500l. There were long and acrimonious discussions as to whether Mr. Maconochie would pay anything.

3220. Am I right in this: did you first get an offer of 500l.?—Yes.

3221. Was

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Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.*Mr. Gibson Bowles—*continued.*

3221. Was that subsequently, after an interview between Mr. Maconochie and Mr. Bromley Davenport, or some other official, increased to 2,500*l.*?—That is so.

3222. Did the Treasury then hold that even 2,500*l.* was not enough?—I think the Treasury did, and naturally would, wish to be thoroughly satisfied that that was the best we could do, and that we could not get more.

3223. That is not quite what I am asking. Did not the Lords Commissioners of the Treasury indicate to you that they were not prepared to sanction a settlement on the basis of 2,500*l.*?—I think, probably, the proper person to interpret the letters of the Lords Commissioners of the Treasury would be the representative of the Treasury.

3224. I am asking you as a matter of fact. (To Mr. Chalmers.) As a matter of fact, did my Lords make such a representation to the War Office in December, 1904?—That is so.

3225. (To Sir Guy Fleetwood Wilson.) When did the matter come before the Army Council as to the 2,500*l.* offer?—I do not know that it came before the Army Council at all.

3226. Then you may take it from me that it did?—I do not attend the meetings of the Army Council, and I could not say straight off whether it did or did not. I should have thought it was hardly necessary to put it to the Council from the moment the Treasury agreed.

3227. I will tell you exactly what I am driving at. I suggest to you that the Treasury took the view that this settlement was not a satisfactory one, based on the 2,500*l.*, and that for their own part they did not feel prepared to sanction it?—That is so, certainly.

3228. And that discussion then took place between the Treasury, on one side, and the Army Council, through the War Office, on the other, and it was only in consequence of the Army Council having written *proprio motu* to Mr. Maconochie that they were in favour of the 2,500*l.* being accepted, that the Treasury was finally forced to agree. Is that a true account of what happened?—I cannot answer as to what actuated the Treasury in agreeing or not agreeing. That is not for me to say.

3229. I am merely asking as a matter of fact?—I cannot say whether they were driven into it.

3230. (To Mr. Chalmers.) You heard my account of the matter—does that account represent the facts broadly, or is it wrong?—Broadly, it does; but not exactly. It was the Law Officers' opinion that dictated the Treasury's decision, rather than the steps taken by the Army Council, that are referred to in the correspondence I have handed in.

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

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Chairman.

3231. I think the answer to the question which the honourable Member has just asked will be found at Question 204, where you say, "I represented to the Treasury that, after a great deal of what I may call argument with Mr. Maconochie, I had got him to agree to pay us 2,500*l.*, which was a very considerable sum. The Treasury naturally wished to be quite satisfied that we could do no more, and the case was again referred to the Law Officers of the Crown. The outcome of the further inquiries was that the Treasury agreed that it would be reasonable to accept this money payment, and that it would be better to have money than to have rations; which we could only keep, and, really, only destroy eventually; and I am glad to inform the Committee that this morning I have received a cheque from Mr. Maconochie for 2,500*l.* That is the answer you gave to the Committee on the 31st March?—Yes.

Mr. Gibson Bowles.

3232. That was the final settlement, no doubt, but I see a letter from the Treasury to the Secretary of the War Office of the 8th March, 1905, in the correspondence which has been handed in to-day. I thought that would be within your knowledge, but, apparently, it is not. However, what I do suggest to you is this: that in consequence of the Army Council having rather prematurely informed Mr. Maconochie that they were in favour of 2,500*l.* being accepted, the Treasury was forced to accept it, inasmuch as if they had, as they suggested, gone into Court against Mr. Maconochie, he would naturally have read this letter, which would have been almost ruinous to their case—that is what I suggest?—There is no doubt that what influenced us was the opinion of the Law Officers, which we twice got.

3233. Your case was a shaky one, perhaps, but still, sometimes, even when you are not sure of winning your case, it may be a public duty to undertake a prosecution?—That would not be a matter for us to decide.

3234. No; but from a summary view of the correspondence that has just been handed in, it seems to be rather the view that the Treasury took?—I have not got that correspondence before me at the moment, and that makes it a little difficult for me to follow you exactly with regard to the letters. But the situation, as I have stated, in the answer which the Chairman has just quoted, and which I adhere to, is practically this: We did make the best bargain we could in view of the difficulty which faced us in regard to the opinion of the Law Officers, and as soon as the Treasury had satisfied themselves that everything had been done that could be done

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done, they acquiesced in the proposal. I think that is a correct interpretation of it.

3235. On the 29th November, 1904, I see the Army Council wrote to the Treasury that they had "informed Messrs. Maconochie that subject to Treasury concurrence the offer made will be accepted?"—Yes; I think I can explain that.

3236. That is the offer of 2,500*l.*?—Yes.

3237. That was on the 29th November?—Yes.

3238. But on the 29th December, a month later, the Treasury still said they were "not prepared to sanction and justify to Parliament a settlement on that basis. They recommend that litigation should be at once commenced to enforce the full legal rights of His Majesty's Government in the matter?"—Yes; but you will note this: Maconochie's offer was subject to getting an answer, if I rightly remember; an answer had to be sent him, and the Army Council appear to have guarded themselves by saying that it would be entirely subject to the concurrence of the Lords Commissioners of His Majesty's Treasury. That is what happens in many cases. We have to carry on correspondence and answer letters, but we do not pre-judge, and have not in this case, I think, pre-judged the final decision of the question; it is subject to Treasury concurrence.

3239. (To Mr. Chalmers.) The Treasury, I think, subsequently took the view that it was rather unfortunate that the Army Council should have independently informed Mr. Maconochie of their view, which had the result of making it quite impossible to take any such further steps as the Treasury had previously suggested?—That is so.

Sir Frederick Banbury.

3240. (To Sir Guy Fleetwood Wilson.) If you have got before you your evidence of the 31st. March, you will see these words at Question 312 "You paid 32,000*l.* and you got back 365,600 rations," and you said "When the 497,000 rations were found to be had Mr. Maconochie replaced 365,600?"—That is so.

3241. Therefore the difference between those two figures, namely, 131,400, disappeared altogether?—In what way do you mean "disappeared?"

3242. Mr. Maconochie did not replace that amount—it was bad; it was condemned; and therefore I presume it disappeared. What happened to that difference of 131,400?—The payment of 2,500*l.* which was then made was in satisfaction of the full demand, so to speak. It wiped out the difference; it would include that.

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3243. Then the 131,400 practically disappeared?—Yes; it is pooled.

Mr. Goddard.

3244. You referred to that point of 131,525 rations in your former evidence at Questions 207 and 208?—Yes.

Sir Frederick Banbury.

3245. According to that Mr. Maconochie has got the 131,525, as I understand?—No; he has given them up to us. He gave us 2,500*l.* and the rations, such as they are.

Sir Brampton Gardon.

3246. You have got them back?—Yes.

Sir Frederick Banbury.

3247. Are they of any value?—Not much.

3248. In regard to your answer to Question 327, it does not appear in the answer; but I understand that the reason which Mr. Maconochie gave for making such a very poor refund was because, although he had signed a contract saying that the rations were to be good for two years, he did not understand that the War Office, or, rather the department of the War Office that made the contract, meant to abide by that?—That was the real point at issue between us, and that was where we had such difficulty in getting the 2,500*l.* out of him, because his contention was that the guarantee for two years was only a mere matter of form.

3249. Then, I think the thing entirely turns upon what he thought to be a matter of form in the contract?—Yes, I think it does; because, speaking from memory, I have found no evidence that the inspectors found fault with the rations when they took them on charge; therefore, it really resolves itself into a question of how long they lasted.

3250. Then you will see in the next question, No. 328, I asked, "What is the object of a contract?" and you did not actually answer the question, but you said you were not prepared to defend Mr. Maconochie?—I said I am not "prepared to defend his contention on that question." It would not devolve upon me to do so.

3251. That is what I am coming to. Whom can I ask about that? I understand I shall have an opportunity of asking Sir Alfred Major about that afterwards, and, that being so, I will not go into it further with you?—Yes.

Chairman.

3252. (To Sir Alfred Major.) We now want to ask you, with regard to the making of this contract with Mr. Maconochie. He maintains, as

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as I understand, that this contract was only signed by him as a matter of form; would you give us your view whether or no he was bound by the two years' guarantee?—By signing that form and not protesting at the time, I think he did make himself legally responsible for the two years' guarantee.

3253. Is it likely that a contractor would sign any form without knowing what he was about?—Business people, or so-called business people, do very unbusiness-like things sometimes.

Sir Frederick Banbury.

3254. Only if they are "so-called" business people?—Quite so.

Chairman.

3255. This is the contention of Mr. Maconochie, which you are probably acquainted with: "Subsequently, when the price was fixed, we were asked to sign the usual contract form, and we demurred, stating it was purely an article of your own, and one that we could not take any responsibility for over a lengthened period. We were then informed that the signing of the form was necessary for office reference, and we clearly understood that we had not, nor had we on any occasion, entered into any contract guaranteeing an article which is entirely your own, to keep for any period, and in every case where you were able to supply we invariably took our supplies of raw material of pemmican from Woolwich, and we therefore disclaim any responsibility." Will you state your view as to that?—I am afraid I must dissent entirely from Mr. Maconochie on that point. At the time this contract was made there was never any question whatever raised about guarantee, either by him or by myself.

3256. It would be his business to raise it if he dissented?—It would undoubtedly have been his business to raise it if he objected to it. Personally, I never attached any importance to it; in fact, I never thought of the guarantee. Where rations are required, as these emergency rations were, with the very utmost promptitude, it does not enter into your mind that you will require a guarantee for two years for their keeping.

3257. You took it as a matter of course?—You must remember this: Mr. Maconochie took this work up under very great pressure—that is to say, he was to do it in the very smallest possible time. He got a certain quantity of pemmican from the War Office, and the remaining part of the pemmican he was to get where he could.

3258. I understand that?—He got the pemmican, very much to my surprise, in a very short time, and that pemmican was accepted as satis-

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factory by the War Office Inspector. Neither Mr. Maconochie nor anybody in the War Office had any knowledge whatever as to how long the pemmican would keep. If Mr. Maconochie, when that contract was put before him, had come to me and said, "I cannot possibly guarantee this stuff, because I have no experience of it, and no one knows how long it will keep," I should have gone to the Quartermaster-General and I should have said, "Look here, Sir Charles, you say you want these emergency rations as quickly as possible. If you want them quickly, the only source we can get them from is one firm, who will not guarantee their keeping for any particular period. Which will you do, will you wait for the rations, or will you forego the guarantee?" I am perfectly certain, in my own mind, that the Quartermaster-General would have said, "We must forego the guarantee." Therefore, if Mr. Maconochie, acting as a business man ought to have done, had come to us at the time and said, "I cannot guarantee these rations," we should have said, "very well; you must get us the rations; they must be inspected by our people" (as they were), "you must get the very best you can, but we must have the rations." If that had been done, none of this trouble would have taken place. If the rations had gone bad, as they did (though they lasted a very considerable amount of time), there would have been no question whatever of making Mr. Maconochie responsible for their going bad. He was doing the best he could under circumstances of very great pressure, and he could not possibly know how long they would keep, and I think, really, as a matter of fact, that guarantee ought never to have been exacted from him.

3259. What struck me as curious was that he signed this guarantee with his eyes open; and he said nothing about it until it was found that the rations were going bad?—That is so, unquestionably.

3260. It was not until that time, on the rations going bad, that he raised the question of the guarantee?—He did not raise it till then. I have always told him that it was an absolute mistake on his part to assume that he mentioned this matter at the time, or referred to the guarantee being in abeyance, or to be regarded as a negligible provision. Undoubtedly he inadvertently signed the contract without looking at it. But apart from that, I think Mr. Maconochie has been rather severely dealt with.

3261. Then there is one other passage in the same paper which I shall have to read to you in your Minute of the 16th August, 1903, because I wish to know whether you abide by it: "Messrs. Maconochie have repeatedly maintained that they regarded the formal contracts

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as merely a necessary cover to an arrangement under which they were agents and auxiliaries to the Department, rather than ordinary contractors, and that the clause in question consequently escaped their notice. They, moreover, assert that had they observed it, they would have refused to abide by it, in which case the War Department would have cancelled it. It must be admitted that had any such objections been raised, the Department would have had no option but to cancel the clause, as (apart from the fact that neither the firm nor ourselves had any means of saying whether two years was a reasonable time to expect the rations to keep) it was essential that we should obtain Maconochie's help. If the case went into Court, the Director of Army Contracts would have to admit practically the whole of this contention?"—That is so.

3262. You will observe that part of that is assumption; it assumed that the War Department would have cancelled the clause had they been asked to?—I mention that; it is merely assumption. These rations were very urgently required, and the presumption was that they would have been all consumed within the next three months, that is between insisting on the guarantee and not getting the rations. I do not think there is a question about it. I think the guarantee would have been waived.

Sir Brampton Gordon.

3263. How was it they were not consumed within the next three months?—It does not seem to me they were ever required.

3264. Why were they not consumed? At what date was it? At the conclusion of the War?—General Auld will be able to tell you why they were asked for.

3265. I want to know whether there was this idea that Sir Alfred Major has told us of, that they were so urgently needed that it was absolutely necessary to take them, whether they were good or bad, when they were not wanted at all. How did the War Office make that mistake?—(Major-General Auld.) The emergency ration is held to be absolutely necessary on service, in case a man is detached from his food, and has no means of subsistence. It is not a meal, and it is simply a thing to keep life in him—say for 36 hours.

3266. How was it they were not used at all?—Because no man was allowed to eat it, except on an absolute emergency; there were very few eaten, but every man was obliged to be provided with them.

3267. They never went out to South Africa?—Oh, yes.

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3268. What was the date of this interview with Mr. Maconochie—do you remember?—(Sir Alfred Major.) The date on which the contract was made?

3269. Yes?—It was in December, 1899, or January, 1900.

3270. That was for 497,000 odd rations?—I do not think so many in the first instance. There was only 300,000 to begin with. That was the urgent demand that came from South Africa.

Mr. Yerburgh.

3271. There is one point I wish to ask somebody about. I understood you to say, Sir Alfred, that there was no knowledge at the War Office as to how long the pemmican would keep?—That is so.

3272. Is pemmican the article of food on which the War Office based their emergency rations at the time of the War?—So much cocoa paste and so much pemmican was then the authorised emergency ration.

3273. Are we to understand that the War Office never carried out any experiments to see how long this would last?—General Auld will be able to answer that; I do not know. That was the authorised emergency ration, and that was the emergency ration I was authorised to buy.

3274. It seems a curious thing that the War Office should depend on an article with regard to which they had carried on no experiments to see how long it would last?—(Major-General Auld.) They had been experimented upon in smaller campaigns, and we found they kept fairly well under ordinary conditions, but exposed as they were in a man's haversack, wading through rivers, and getting the sun and heat, and knocked about, you really could not guarantee them for any length of time. Two years was supposed to be the ordinary guarantee.

3275. That is the conclusion you arrived at from your experience of it on active service?—Yes. We know pemmican will keep for a considerable time in tins, but when it is made up it is subject to the knocking about it gets.

3276. (To Sir Alfred Major.) There is one other question I want to ask you. I understood you to say that under the circumstances you thought it would have been right not to ask for any guarantee at all from Messrs. Maconochie?—Yes; I do say so.

3277. Is not that rather a dangerous doctrine?—It is, if course, dangerous; but you must remember that our inspecting officers were inspecting the materials that were put into these rations. They were the very best that could possibly be procured in such a hurry as we were in.

THIS VOLUME IS TIGHTLY BOUND

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in. You cannot expect a contractor to give a guarantee with regard to things the keeping powers of which he has no experience of. No doubt he ought never to have given the guarantee.

3278. While these rations are being put up, do your representatives conduct a thorough examination of the materials that are being used?—Yes.

3279. So that you can distinctly state that all the materials used in the making up of these rations were sound?—Certainly; and, mind you, although General Auld says that the emergency rations previously made had lasted some time, I do not know that he goes to the extent of saying they lasted anything like two years. They were made of pemmican specially obtained from Australia, in an unlimited time, and of a very high quality. Mr. Maconochie had no opportunity for getting pemmican of that quality; it was not to be got. All he could get was given to him by Woolwich; the rest of the pemmican he had to make those rations out of was the best he could buy.

Sir Frederick Banbury.

3280. I understand you to say that as the whole thing was done in a great hurry and there was great emergency it was not necessary to obtain a guarantee for the lasting and good quality of the rations?—One would not have supposed so.

3281. I put it to you that one would have supposed exactly the contrary. If a thing is wanted in a hurry would it not have occurred to an ordinary man of business that he might get "done," and that, therefore, he should get more guarantees from the contractor than he would have done if he was going to make a contract and had plenty of leisure time to make it in?—But the guarantee was to be found in inspection by the officers of our own department.

3282. That is not my question. Would you not require to take more precautions that you should obtain a good article if you had to obtain the article in a hurry than if you had plenty of time to obtain the article?—Of course, if you can get a guarantee it is a very good thing to get.

3283. Now you got the guarantee?—We did.

3284. Is it your duty to safeguard the interests of the public or the interests of the contractor?—The interests of the public.

3285. Then what did it matter to you whether Mr. Maconochie had inadvertently entered into the guarantee or not?—It did not matter to me.

3286. Why did you not hold him to the guarantee?—He has been held to the guarantee.

3287. In this letter it says "the Department would have had no option but to cancel the clause"?—If he had raised it at the time.

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Sir Frederick Banbury—*continued*.

3288. But he did not raise it at the time?—No; therefore the guarantee was enforced.

3289. Why were not legal proceedings taken to enforce that guarantee?—The Law Officers of the Crown said we had not a case, I believe.

3290. If you enter into a contract with a man, and he guarantees that the article supplied shall last for two years, where the article supplied is kept under ordinary conditions, as these 497,000 rations were, and it is found that it does not come up to the guarantee, do the Law Officers of the Crown say you have no remedy?—(Sir Fleetwood Wilson.) The Law Officers' opinion is not in possession of the Committee.

3291. We have not got the opinion of the Law Officers, but you say the opinion of the Law Officers was that you had no case, notwithstanding you had a contract?—(Sir Alfred Major.) I did not say no case—a doubtful case. I have never seen the opinion of the Law Officers, and I do not think the opinion of the Law Officers came to the War Office until after I left. I believe Mr. Chalmers would be able to tell you better what the opinion was.

3292. It is only belief on your part that the Law Officers said this; you really have no foundation for saying what they did or did not say?—Only that it was compromised on that ground because they thought there was no case:

3293. Because you believed there was no case?—I understood we had no case.

3294. You do not always take the opinion of the Law Officers as infallible, I suppose?—In regard to commencing a prosecution we should not go against the opinion of the Law Officers of the Crown, as far as I know.

3295. Did it ever occur to you that it would be a good thing to let a contractor know that if he enters into a contract with the War Office some effort will be made to compel him to abide by the terms of his contract?—Certainly.

3296. Why did you not do so in this case?—It has never been the practice, I should say, in any case, and certainly not in the contract department, to undertake a prosecution except on the advice of the Law Officers of the Crown.

3297. It is very often the case, is it not, that the opinion of the Law Officer is given on the manner in which the case is put to him?—Certainly, it must be.

3298. Was care taken to put it to the Law Officers of the Crown that in the opinion of the War Office there was a good case, and that there had been a breach of contract?—I think the case was put to the Law Officers of the Crown as fairly and fully as any case might be put.

3299. You are of opinion, I think you stated, that Mr. Maconochie has been rather hardly used?—Yes, I am.

3300. Although he enters into a contract and does

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Sir ALFRED MAJOR.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.*

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.*Sir Frederick Banbury—*continued.*

does not comply with it?—He entered into the guarantee inadvertently; there is no doubt about that, and the question is whether he should be penalised to the full extent. It was not a reasonable guarantee, that is all I say.

3301. I go back to my question. You are not concerned with what may have influenced Mr. Maconochie in entering into the contract; your care is to do the best you can for the public?—Certainly.

3302. Therefore it does not matter whether he entered into it inadvertently or not, that is his look out?—Excuse me; with a powerful Department like the War Office I should not like it to be stated that we take a mean advantage of people.

3303. Where is the meanness? Would you show me the meanness?—In exacting the full penalty under the guarantee.

3304. May I ask what is the use of a guarantee or a contract if the contractor, when he cannot comply with it, is to come to the War Office, and say "It would be mean if you exacted the full penalty?"—It would depend on the circumstances under which the contract was given. For instance, in the War Office a contractor will often tender at a certain price, and it may be a low price; if we think the price too low we do not take advantage of him and accept that price without giving him an opportunity of revising his tender.

3305. If the War Office asks for a tender for certain work and specifies it is to be of a given quality, and the contractor offers to do it for 20,000*l.*, do you mean that the War Office say "Do you not think you had better charge 25,000*l.*?"—No, we do not say that, but if we know that the 20,000*l.* is some 4,000*l.* or 5,000*l.* below the sum at which the cost has been worked out, and we think the contractor has tendered from want of information or has not properly looked into it and had patterns or specifications, we should say "You had better look at this price again, and you had better look at the pattern and look at your specification."

3306. Then, again, it would appear from that that the War Office were rather looking after the interests of the contractor instead of the interests of the nation?—We do not want contractors to break down when the thing is half done, or to be under the impression that they can scamp their work.

Mr. Cohen.

3307. I understand that Sir Frederick Banbury was anxious to know whether the case submitted to the Law Officers was put before them in such a manner that they should know the opinion of the War Office. What perplexes me at the moment is this, that I have listened to you attentively, and I am not able to find out what

Mr. Cohen—*continued.*

is the opinion of the War Office, because you seem to me this afternoon to have made two remarks which are quite conflicting. You say that you cannot expect a contractor to guarantee in case of emergency, and then you previously said that you thought it was very stupid of him to give the guarantee. Why was he foolish if you did not enforce the guarantee? Is it not rather a temptation not to give one?—We do enforce guarantees, and I never said we did not.

3308. I do not suggest that you do not enforce guarantees. I say if you were not to enforce the guarantee, would it not be rather a temptation not to give one?—Certainly.

3309. If you do enforce it, why do you say you cannot expect the contractor to give the guarantee?—All I said was that, inasmuch as this was an unknown article Mr. Maconochie was supplying, what he ought to have done if he objected to the guarantee, which it does not seem to me he ought to have given, was to protest at the time.

3310. And as he did not do that, has he not lost all the results which would have followed if he had taken that precaution?—Well, he has to a certain extent; but there is equity as well as law to be taken into consideration.

3311. I appreciate that; and has that view of the case ever been submitted to him, because if a man knows that you are to forego all your redress, there is nothing to be expected from him?—He does not know it.

3312. Have the War Office communicated with him that inasmuch as he did it without a knowledge of what he was doing, therefore they will forego or remit some portion of the guarantee, and relieve him to a certain extent of the fines which he has incurred?—I do not think they have foregone anything.

3313. Therefore at this present moment they are pursuing their remedy to the full?—I think so.

3314. And yet Mr. Maconochie said no question was raised as to the form of the guarantee. If there is no question raised by the War Office or by him as to the form of the guarantee, then in its integrity it remains absolutely binding, does it not?—It depends.

3315. I wish you would explain that; it depends on what?—I think if a contractor has given a guarantee inadvertently when you come to exact the penalty on the guarantee, you should take that into consideration, that, truly speaking, it was a guarantee he ought not properly to have been asked to give. That is all.

3316. And because of that you ought to remit it altogether?—Oh, dear no; I should penalise him for his unbusiness-like proceeding in not taking the proper steps at the time.

3317. But to put it in plain English, you would

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued*On Postponed Paragraph 17—*continued*.Condemnation of Rations at Home—*continued*.Mr. Cohen—*continued*.

would not exact the full amount of the penalty which he has incurred in consequence of his guarantee?—No, I would not.

3318. I correctly represent your view?—Certainly, that is my view.

3319. Do you know whether the War Office take that view, or have tried to represent that view to any contractors?—I do not think so. That is my personal opinion formed as the Director of Contracts, and knowing exactly the circumstances of the case under which that contract was made, which nobody else does. I have formed that opinion, that it is not fair to exact the full penalties of that guarantee from Mr. Maconochie under the circumstances under which that contract was made and executed. That is my opinion, and nobody knows the circumstances as well as I do.

3320. I quite understand your opinion. What I want to know is whether the opinion is shared by the War Office?—To a certain extent; I have expressed that opinion practically on papers.

3321. And they know your opinion quite as well as we do now, because you have made it pretty plain?—I have tried to.

3322. Do the War Office share it?—They do not share it to the full extent. I do not know that they share it at all. It is all on the papers in which I made a certain proposal as to exacting no further penalties from Mr. Maconochie. Up to a certain time we were to exact the penalties; after that he was not to be penalised, and in that view the Financial Secretary concurred.

3323. Do you modify that last answer in consequence of what Sir Guy said to you just now?—Which answer?

3324. You said the War Office agreed that a certain portion of the penalty should be remitted; did I not understand you to say that just now?—No, I did not say so; they did not agree to any portion of the penalty being remitted. Up to a certain time so many rations were destroyed, and there was a little uncertainty as to what further quantity was destroyed or whether those numbers were destroyed within the two years' guarantee, and what I suggested was that we should finish with Mr. Maconochie and only make him pay the penalty upon those rations which we knew at that date had actually gone bad within the two years, and that was approved.

3325. Was it done?—I cannot say; Sir Fleetwood Wilson will be able to tell you better what was done afterwards. It is recorded upon the case.

3326. (To Sir Fleetwood Wilson.) May I ask whether that suggestion of Sir Alfred's was carried out, and whether the enforcement of the penalty from a certain date was remitted? I want to get at the attitude the War Office has

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued*.On Postponed Paragraph 17—*continued*.Condemnation of Rations at Home—*continued*.Mr. Cohen—*continued*.

taken up?—I think the best and the most simple and straightforward answer is that I took a more severe view towards Mr. Maconochie than Sir Alfred Major had taken. He dropped it at a certain point, and I took it up at a subsequent point, and it was then I urged that we should extract 2,500*l.* out of him. There was a change of policy in that respect. (Sir Alfred Major.) There was a change with regard to the amount we were going to exact, that is to say, he made an offer of 500*l.*, and we told him that was not enough. I should have been satisfied with an offer of 750*l.* or 1,000*l.*, but Sir Fleetwood Wilson took up the subsequent negotiations, and he considered that he ought to pay 2,500*l.*, and that was paid. I think it was too much. (Sir Fleetwood Wilson.) I do not think it was enough.

Mr. Herbert Lewis.

3327. (To Sir Alfred Major.) In the experience you have had of contracts made on behalf of the War Office, a number of contracts have, I presume, been subject to penalties for non-fulfilment, or not perfect fulfilment, or delay in fulfilment of the contracts. Has it been your general practice to enforce those penalties?—Certainly.

3328. Almost invariably?—Yes.

3329. Your practice in that respect has not been like that of the Admiralty, for example?—Are you alluding to the fines?

3330. Yes?—Fines have been very frequently remitted; where the explanation of the delay has been satisfactory the fine has not been imposed.

3331. That has been the general rule, in fact?—Whenever the case seemed to deserve the infliction of the penalty, it has always been inflicted. Whenever the merits of the case seemed to require that the penalty should be remitted it has been remitted. There has been no favouritism or partiality shown, none whatever. It was always done on the merits of the case.

Mr. Goddard.

3332. Was this 497,000 we are dealing with all the emergency rations that Mr. Maconochie had to do with?—As regards the detailed figures it is some considerable time ago, and a good many of these rectifications have occurred since I left the Office, so that if you would not mind, Sir Fleetwood Wilson could answer that; in fact, I think in his evidence he has already answered it.

3333. I will ask General Auld the question. (To Major-General Auld.) I understood you to say just now, in giving an answer, that there had been a million of these emergency rations?—Yes; sent out to South Africa.

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3334. Are

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Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.*

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.**Chairman.*

3334. Are you talking of emergency, or meat and vegetable rations?—Emergency.

*Mr. Cavendish.*3335. Is it not all in the return which is Appendix, No. 4? (*Mr. Gibson.*) Page 7. (*Mr. Goddard.*) Were those all from the same contractor?—(*Major-General Auld.*) We made some ourselves at Woolwich.

3336. You made up the emergency rations?—Yes.

3337. But the greater part came from Maconochie?—Yes.

3338. You were answering some questions with regard to the test of this pemmican just now to one of the honourable Members, and you said you thought it ought to have stood the two years' test under ordinary circumstances?—Yes.

3339. But that with the trying circumstances of the campaign you could not altogether say how long it would last; that is how I understood your answer?—Quite so.

3340. But you notice that the 497,000 rations we are dealing with as being condemned never went out to South Africa, and never had any rough treatment at all, so that there was no explanation of that kind why they went bad?—No.

3341. This is the point I want to get at. Why were they wanted in such a hurry? Sir Alfred, perhaps you could explain that. I could understand the first of them being required in a great hurry, but as these never went out, what was the pressure in ordering such a large number hastily?—(*Sir Alfred Major.*) The first lot I think were dispatched immediately.

3342. I am talking of the 497,000?—It was a demand really in excess of requirements.

3343. In answer to a question just now you said with regard to the guarantee that there were the usual circumstances that they were delivered in a great hurry, and your requiring them on very short notice, and that you thought those were reasons why you personally would not have imposed the penalty under the guarantee?—Not the full penalty.

3344. There was no haste about this 497,000?—I think they were all wanted with great promptitude.

3345. But they never went?—It did not matter.

3346. They were at Woolwich, and they never went to South Africa?—They went to Woolwich and we should not have got them unless they were wanted.

3347. Then I must go back to General Auld. (*To Major-General Auld.*) I understood you to say these emergency rations are rations which*Mr. Cavendish—continued.*

are not allowed to be used by the soldier in the ordinary way?—That is so.

3348. They are only used under stress of circumstances?—Yes.

3349. I cannot make the two points agree at all; they were not going out, and they would be no use at home at all?—(*Sir Alfred Major.*) I do not know why they were not sent out, but certainly these emergency rations were always wanted immediately they were demanded.

3350. It seems to me to upset the answer in reference to the guarantee, because there was no special circumstance about these 497,000?—The guarantee question depends more or less upon the source from which this contractor could obtain his pemmican.

3351. You did not raise that point, because I understood that it was in connection with the first emergency rations that were supplied that he could not get the pemmican, and he got it from Woolwich?—Some.

3352. After the first lot, I understand he got all his own pemmican?—Yes.

3353. It was only the first lot he delivered that had to come from Woolwich. I think I am right in that.

Chairman.

3354. There was a good deal more in the second than the first?—Yes, he was always taking some pemmican.

*Mr. Goddard.*3355. Then I will ask Sir Fleetwood Wilson on the point. It is very clear that in the great bulk of this 497,000 there was no Woolwich pemmican at all. That was elicited by the Chairman in the beginning of the evidence. What grade of officer is responsible for the ordering of such rations as those?—(*Sir Fleetwood Wilson.*) The orders for supplies to the Army are issued in the name of the Quartermaster-General.

3356. That is the Department General Auld represents?—Certainly.

3357. (*To Major-General Auld.*) How was it you wanted so many rations you were not to use?—You must have a reserve for a certain number of months; it is a proportionate reserve.

3358. They would not use these rations except on an emergency?—Quite so.

3359. And the soldiers in South Africa had the emergency rations, and yet you go on ordering such a large quantity of them?—You have to keep a proportion of, say, four months' supply, and that proportion of emergency rations had stock of these reserve rations out in South Africa.

3360. I could understand it if they had been
in

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SIR ALFRED MAJOR.

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.*Mr. *Goddard*—*continued.*in South Africa; but they never went there?—
It was to maintain the reserve really.3361. There was a reserve in South Africa, of
course?—Oh, yes, of course.3362. This was an extra reserve to be kept at
home?—Yes; it would have gone out, of course,
if necessary.Sir *Brampton Gurdon.*3363. I just want to ask one question; was
there not a return presented some months ago,
from which it appeared that there was an enormous
quantity of rations. I do not think emergency
rations, but rations supplied by Maconochie—that
were condemned and destroyed in South Africa?
(Sir *Fleetwood Wilson.*) There were some meat
and vegetable and some emergency rations.3364. There was an enormous quantity—
millions of them?—Yes.3365. Did we ever get any return for that?—
No; there was no question as to those in South
Africa, because they came under the category of
goods which had been subjected to treatment
which precluded the possibility of recovery. They
were stacked in the open in very large stacks.
A great many of them were destroyed, and I
have given evidence fully upon that.3366. Did you ever try to get biltong in South
Africa itself?—(Sir *Alfred Major.*) I do not
know whether they ever did try to get biltong.3367. You were in South Africa yourself, and
you knew about that?—At the time you were
there, probably, but not in this latter war.3368. It would have been better than pem-
mican?—Yes, and lasted much longer, certainly.
It is splendid stuff.Mr. *Yerburgh.*3369. I only want to get the present view of
the War Office on this question of contractors
arranging on conditions which may be considered
prejudicial to themselves in view of a change
in the prices. I should like to ask Sir
Guy Wilson whether he considers it part of the
duty of the War Office to protect contractors

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*On Postponed Paragraph 17—*continued.*Condemnation of Rations at Home—*continued.*Mr. *Cavendish.*against themselves?—(Sir *Fleetwood Wilson.*)
Certainly not.3370. (To Mr. *Chalmers.*) Is it not the fact the
Treasury adhere to their general view in such
cases, and that is, that the contract ought to be
enforced?—Certainly.3371. The Treasury were only induced to con-
sent to waiving the enforcement of the contract
on account of the facts which had been brought
to their notice as to the destination and deteriora-
tion of these emergency rations in South Africa?
—That is so.3372. And that is the true reason which in-
duced the Treasury to depart from its usual prac-
tice?—It is practically the only reason.

Chairman.

3373. (To Sir *Alfred Major.*) One question
only. Do you know what number of rations of
meat and vegetable supplied by Mr. Maconochie
were found good in South Africa?—Many
millions were consumed. Sir *Fleetwood Wilson.*
answered that there were 19,000,000 rations of
meat and vegetable, and they were found good.3374. Do you endorse that?—I am quite sure
if Sir *Fleetwood Wilson* said that, it is correct.

Chairman.

3375. (To Sir *Fleetwood Wilson.*) Do you wish
to alter that answer in any way?—I gave you
the figures I was supplied with by the office, and
I think the condemnations were 8 per cent., not
more; but, of course, that is not my department.
I am here as accounting officer, and doing the
best I can.3376. (To Major-General *Auld.*) Do you
happen to know whether Messrs. Maconochie
furnished 19,000,000 rations of meat and vege-
table which were found good?—I could not say,
because we had other meat and vegetable rations
besides Maconochie's (Sir *Fleetwood Wilson.*)
I see no reason to alter my answers.

Friday, 7th July, 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Cameron Corbett.
Mr. Goddard.

Sir Brampton Gurdon.
Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1903-1904.

STORE ACCOUNTS OF THE ARMY.

Mr. ROBERT CHALMERS, C.B., Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., Sir GUY D. A. FLEETWOOD WILSON, K.C.B., called in; and Examined.

Chairman.

3377. (To Mr. Kempe). I think you have an additional memorandum to hand in, in continuation of the schedule of queries addressed by you to the War Office, bringing it up to date?—Yes, I have a memorandum which practically continues my report after reading the War Office replies to the queries which I handed in at a previous meeting. This memorandum, in fact, will bring my report up to date so far as I can do it at present.

Mr. Gibson Bowles.

3378. Is that with regard to postponed paragraph 82?—It is with regard to the postponed paragraphs.

Lieut.-General Hon. Sir NEVILLE GERALD LYTTLTON, K.C.B., called in; and Examined.

Chairman.

3382. You succeeded Lord Kitchener in command in South Africa in June, 1902, did you not?—I succeeded in June, 1902, but not to the command in South Africa—only to the command in the old Republics—the Transvaal and the Orange Free State. Natal and Cape Colony were independent of me.

3383. Would you detail to the Committee, if you can do so, what were the general reasons which induced the authorities in South Africa to adopt the system of sale to contractors and re-purchase from them of supplies for the troops?—Perhaps I may read a statement which I have prepared as to that. The system of sales and contracts which led to what is known as the "dual system" was initiated by Lord Kitchener shortly before he left South Africa,

Chairman.

3379. Will you hand that in?—Yes. (*Handing in the same.*)

Mr. Buchanan.

3380. That is your report, as I understand, upon additional answers to your queries?—Yes.

Chairman.

3381. We will proceed now to take some evidence with regard to the establishment of this system of contracts introducing contractors for the sale and re-purchase of stores, and I think the first evidence we should like to have would be that of General Lyttelton.

Chairman—continued.

and was accepted by me. He appointed the Sales Board himself, with Colonel Morgen as President, and he got the proposal approved by the War Office. There were many reasons for getting rid of the huge accumulations of stores as rapidly as possible: (a) The urgent and repeated demands of the railway authorities for the evacuation of their ground on which many of our depots stood. Truckloads of civil supplies were beginning to come in which could not be unloaded, as there was no place to store their contents, and the trucks, which were urgently required, were perforce compelled to stand idle in demurrage. (b) The necessity of sending home as many of the Army Service Corps' personnel as possible as well as of disbanding the numerous native labourers employed in connection

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Sir G. D. A. F. WILSON, K.C.B., and Lieut.-Gen. Hon. Sir N. G. LYTTTELTON, K.C.B.

ARMY APPROPRIATION ACCOUNT, 1903-1904.
Store Accounts of the Army—*continued.*

Chairman—*continued.*

tion with these stores. (c) Civil owners were also clamouring for the evacuation of their premises, or for the rent for them, which, during the war, was very seldom paid. (d) Above all, the heavy losses incurred through the deterioration of the stuff, much of which had been standing for months (and even years) exposed to sun, rain, white ants, etc. Getting rid of our stores limited our liability for loss, and transferred it to the purchaser, who became generally liable for deterioration and for working expenses, *e.g.*, railway rates, all costs of handling, distribution up to time of issue, insurance and so forth. Those are, in brief, the reasons.

3384. There is one question I wish to ask as to that: Did we evacuate the railway ground, or did not the contractors keep their stores on the railway ground?—Sometimes they kept the ground, I believe, and paid rent for it.

3385. Now, with regard to the withdrawal of the Army Service Corps men, was that done at the instigation of Lord Kitchener, or was it by pressure from the War Office?—It was not done by Lord Kitchener that I know of. I thought it was at the request of the War Office that many of the Army Service Corps personnel were sent home, but it was more due to the reserve being demobilised.

3386. I will read to you an answer given before General Butler's Committee by Colonel Morgan, at Question 5086, with regard to this particular point, and ask you whether you endorse it: "At the end of the war the War Office telegraphed out to us that we were to send home the larger proportion of our Army Service Corps personnel; they insisted upon that, and it then became a difficulty as to how we were to deal with the quantities of supplies we had, and at the same time send home the personnel. I said the only way we could possibly do it was to make contracts, and that the contractors should be told that, although they had made a contract for supplies, they would have to take over our stuff from us, less a percentage, and that the percentage would cover the cost of distribution, deterioration and storage, leaving a small extra percentage as profit." Is that correct so far as you know?—(This answer was corrected by that to Question 3387.)

3387. You consider that the withdrawal of the Army Service Corps involved almost the necessity of employing a contractor?—As regards the passage you have read from Colonel Morgan's evidence, I do not endorse what he says there about the War Office telegraphing out for the withdrawal of the Army Service Corps men. I do not know whether that was done by the War Office. The people concerned with the personnel would know about that better than I; Colonel Clayton could answer as to all that. I know generally that several senior officers went home. The employment of a contractor

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ARMY APPROPRIATION ACCOUNT, 1903-1904.
Store Accounts of the Army—*continued.*

Chairman—*continued.*

would release a certain number of Army Service Corps personnel and also a very large amount of civilian and native labour.

3388. At any rate, in giving your sanction to this contract system you had in your mind the necessity of handling the Stores, which was very much hampered by the withdrawal of the Army Service Corps?—I wished to get rid of that obligation in regard to handling the Stores ourselves, which was costing a very large sum in civilian and native labour.

3389. It did not come to your knowledge, I suppose, why they wanted the Army Service Corps men home immediately after the cessation of the war?—I think they were employing a great number of civilians at home to do the work of those who were out in South Africa; that, I believe, was the reason.

3390. Who were all additional men on higher pay, I suppose?—I should think so.

3391. That would be a matter in the Quartermaster-General's Department, I presume?—Colonel Clayton could answer as to that. I believe there were a considerable number.

Sir Brampton Gurdon.

3392. I understand the three reasons you gave for the adoption of this system were that the purchasers became responsible for storage, for the distribution, and for the deterioration?—Yes.

3393. Is it the fact that we continued both to store and to issue these things?—Yes. I have heard this was the case in some places; I did not know it at the time, nor am I convinced of it now.

3394. And as regards deterioration, did we not compensate in cases in which deterioration took place?—There were three or four refunds which have been brought to my knowledge since.

3395. That rather disposes of those three points, does it not?—It does not dispose of the deterioration point or anything like it. I may add that I did not know that I was going to be called to-day to speak in any detail. When I saw Sir Arthur Hayter yesterday he only asked me to report upon the question which I have just dealt with in my statement, and that is all I am prepared to answer.

Mr. Gibson Bowles.

3396. You were asked a question as to Colonel Morgan's answer, in which he describes first of all the reasons why this dual system was established, and, secondly, the way in which he proposed to work it. The Chairman quoted that part of his answer?—Yes.

3397. The Chairman did not read the end of the answer, in which he goes a little into detail. I want to ask whether you were aware of the details of the system. His system was to allow the contractor 7½ per cent. I do not know whether you were aware of that at the time?—

I cannot

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I cannot remember. I have seen it in his evidence. I do not think he ever mentioned it to me at all; he may have done, but I certainly do not remember it.

3398. In the answer, the beginning of which the Chairman quoted, he works out the 7½ per cent. rather elaborately, and says that he considered it a fair percentage. Other witnesses did not seem to be aware of this 7½ per cent. arrangement; were you aware of it?—I do not think I was. I have no recollection of it.

3399. I think you took charge on June 23rd, 1902, did you not?—Lord Kitchener left Cape Town on that day.

3400. You had taken charge before?—Two days before. He actually left Pretoria on the 21st, I think.

3401. From that date, you, I presume, became responsible both for the conduct of the Sales Department and the Director of Stores, and for the accounts thereof?—I generally supervised them. Might I add that the degree and the amount of that responsibility is a matter that has been referred to the Commission.

3402. I suppose it is defined somewhere?—Yes. I admit a certain responsibility.

3403. You were questioned, I think, before the Butler Committee as to the Wilson Preserved Meat Refund, which should have been submitted to you, but which I think you said you did not remember?—Yes, it is in the Report.

3404. You may have refreshed your memory on some of these matters since. May I ask have you still no recollection of Colonel Hackett Pain's letter?—No, I have none. The only part of that correspondence that has come to my mind was a letter from an officer who went mad. That was sent to Pretoria, not by Colonel Hackett Pain, I believe, but by his Departmental Superior. It is on page 40 of the Butler Report.

3405. The letter I referred to of Colonel Hackett Pain preceded that; it was the letter of March 13th?—Yes.

3405*. That you do not remember?—I do not remember.

Mr. Cohen.

3406. I think we gathered from you that the withdrawal of the Army Service Corps was the action of the War Office, and was not inspired from Pretoria at all?—No, except the general desire to curtail expenditure as far as we could. They sent out a great number of clerks, I think, before the end of the war—several hundred clerks. I am not complaining of being undermanned; but still all this was very expensive. A great many of these men were extra to the establishment, and I was anxious to reduce the expense as far as possible.

3406*. Were the War Office told that the withdrawal would be attended by recourse to the contractors' intervention?—I cannot say.

3407. Of course it was known in South Africa that, if the withdrawal took place, it

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would oblige the stores there to be sold?—It would lead to that certainly.

3408. You do not know whether the War Office knew that?—I cannot find any record that they did.

3409. At all events in South Africa it was known that the intervention of contractors would result in the payment of the percentage that was required by such intervention?—We realised that we should sell to them and buy back from them.

3410. Do you think the War Office knew that?—I thought they did. It was unaccountable to me that they were not told (but see answer to Question 3440). A return of the sales and all the contracts were sent home.

3411. It was known in South Africa, I understand, that you would have to sell to contractors and buy back again, but you cannot trace whether the War Office possessed any knowledge of that?—No, I cannot find any trace that they did.

Mr. Herbert Lewis.

3412. Just one question with regard to the system that was adopted for getting rid of the accumulated stores: was the granting of the refunds to which you have referred a matter that was under your control?—It should have been, but it is clear that of the four cases of refund which I was asked about before Sir William Butler's Committee, two certainly were never referred to me at all. There was a large refund of 21,000*l.*; that was not referred to me at all, certainly.

3413. It ought to have been, under the system existing at the time?—Under any system I think it ought to have been.

3414. Who was responsible for that?—That is a matter for the Commission; I cannot go into that.

Mr. Pym.

3415. I wish to put one or two questions upon a point which I do not think appears very clearly in the evidence that we have had. When this dual arrangement was made, the reductions that were to follow upon it could not take effect, so far as I understand, until the end of the year. As regards all these arrangements you were going to make with the contractors for the sale of all your surplus stores, and reducing the staff, as you have mentioned, and disbanding the native labourers, and the evacuation of the premises of civil owners, I take it all these reductions of expenses could not take place before the end of the year, when your new contracts were to come into existence with the contractors who were going to do the storage?—I should say the reductions took place all through the year—that is, 1903.

3416. I mean before the end of the year 1902; this arrangement you were making was for the purpose

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purpose of reducing expenses in connection with the Army Service Corps and the other things you mentioned?—Yes.

3417. Was there any real reduction of expense before the beginning of the next year, when the contractors took the things over?—You mean six months later, when the contracts began, on 1st January, 1903

3418. Yes?—There was some reduction, certainly, in civilian and native labour in 1902, but it began on a large scale in 1903.

3419. There was no alteration at all with regard to the reduction of expenditure in the matter until the commencement of the next year?—I would not say there was none, but there was not much of importance, except, I think, in native labour, but you can get information as to that from other sources.

3420. Whoever it was that was responsible for that arrangement would have quite understood that this reduction in your expenses could not take place until the new arrangement had been made with regard to the contractors?—It could not take place until we had got rid of the stocks somehow or other.

3421. There is one other point that I wish to ask about, and that is the railways; you say that the railway ground was being taken up by the stores in the trucks in consequence of there not being room to unload them; there was no store-room to unload the trucks, as I understand?—That is what I was told by the railway people.

3422. Did that go on during the whole of that time up to the end of the year 1902?—I cannot say to what date it went on; Sir Percy Girouard used to come to me constantly to complain. He said, "You are on my ground; I want to put out these civil stores that are pouring in, and we have nowhere to put them." That went on for several months, I should say.

3423. Is it not a fact that they were continuing to send these stores up from the ports—it may be from Natal?—Do you mean civil stores, or our stores?

3424. Your stores?—Yes; ships were coming in for some time after the peace.

3425. During all that time, in spite of the attempt at reduction, the expenses in regard to the railway companies, through your making use of their trucks and holding them so that these stores could not be unloaded, went on continuously, at all events up to 1st January, 1903?—I think so.

3426. Can you say whether it went on after that?—No, I do not think I could—I could not fix a date for it. My recollection is that we sold some cargoes of stuff that came in after the peace.

3427. When the contractors took this business over under the agreement you made with the contractors, can you say whether the expense in regard to these trucks was still going on being charged to military expenditure?—No; I never said it was charged to military expenditure.

3428. I mean charged as part of our expenses, O.S.

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Mr. Pym—continued.

instead of being handed over to the contractors as part of their expenses; were we paying for those trucks?—You are mixing up two things. I was talking of civil trucks. There was any amount of civil supplies coming in; that was the reason the railway said they wanted to get in use of their ground, because they wanted to put their own stuff down.

3429. But these trucks were for the military stores, were they not?—No, not these trucks; I am speaking of the civil trucks. They were civil supplies that were being sent up country.

Mr. Goddard.

3430. Did you have any consultation with Lord Kitchener with regard to this method of getting rid of the Army Service Corps and putting the sales into the hands of contractors?—I was present in the room when he settled the method of sales and contracts, or rather when he proposed it to the War Office, and my recollection is that he wrote out the names of the Sales Board with his own hand, putting Colonel Morgan as President. I was in the room when he and Colonel Morgan were discussing it.

3431. Do I understand from you that that was a suggestion which Lord Kitchener made to the War Office as the means of getting rid of these stores?—Certainly. He suggested the method of sales and contracts. Of course I cannot answer for him; whether he realised that it would lead to what I call the "dual system," is another question.

3432. If the Army Service Corps men had not been withdrawn, I suppose you would not have gone into this?—That was not the main inducement, by any means; the withdrawal of the Army Service Corps was a minor matter.

3433. That was one of the reasons you gave—that there was the necessity of sending home the Army Service Corps?—Yes, as many as we could spare. But the real thing was the question of deterioration. We knew, from our experience in the war, that these things would go bad; they had been going bad.

3434. Was there any reason why the Army Service Corps, for instance, should not have sold the stuff?—The Army Service Corps did sell a certain amount, but they had difficulties in selling; they did not know the market like the local men did. There was the same difficulty going on with the Field Force Canteen stuff; we could not sell it. Captain Limond can tell you more about this.

3435. Was the real reason that you did not consider that in the Army Service Corps you had a sufficiently competent body to deal with such large transactions?—I do not think they knew the market as well as the local contractors.

3436. You quite approved of the new system of putting it in the hands of contractors rather than in the hands of the Army Service Corps?—Yes; I took it over. I may say I should think several times before I rejected a proposal

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proposal of that sort made by Lord Kitchener, whose administrative qualities are well known.

3437. Both Lord Kitchener and yourself were agreed that this was the best way of dealing with the stores?—Yes. He suggested it to me. I think, probably, Colonel Morgan suggested it to him first, but he adopted it and suggested it to me.

3438. There was a sort of hope, I suppose one may call it, that these stores, if they were put into the hands of contractors, would secure a very large price that there would be a boom?—We thought we should do the best with them in that way. We were disappointed in the prices realised, but we hoped that we should get rid of them. But as regards the details of losses and so on, that I am not prepared to go into now.

3439. You realised, I take it, when you put it into the hands of contractors to get rid of the stores, and arrange for the supplies, that you would have to have a considerable system of supervision over the action of the contractors?—Yes; it would have to be watched. We recognised that we should have to buy back from the contractors.

3440. What was the real machinery that you adopted for checking this system of getting rid of the stores?—We got Returns every month; they were overhauled, and the result of all the sales was sent home. I ought to add that this was only done for the first two months—July and August, 1902—by Colonel Morgan. Only sales to Repatriation were reported for several months after that.

Mr. Pym.

3441. Then there was a hiatus—the month of September was left out altogether, was it not?—I think not.

3441*. I am speaking of the sales to the public. The month of September was left out, and then a Return was made in October for two months. That is correct, is it not?—I daresay it was. The Returns made by Colonel Morgan as regards sales to the public went in for July and August, I think.

3442. And then there was a hiatus?—Then Colonel Hipwell came to Pretoria, and the next Returns that went in were only sales to the Repatriation Department.

3443. That was September and October?—More months than that I think—several months. Those Returns were sent in; I signed them if I happened to be there; but they were what I may call automatic Returns, which should have gone without any trouble, and they were just as often signed by Colonel Hipwell or Colonel Lawson as they were by me. I have seen several of them signed by them. Of course, my attention was never called to the fact that those had been dropped. I do not think the War Office wanted these Returns very much; and I did not notice it at the time.

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Mr. Goddard.

3444. Did you recognise in going in for the system of the contractors buying stores and reselling to you that there was a possibility of difficulties arising?—Yes.

3445. I will put it another way: did you recognise that there was a necessity to keep a very careful watch over all the transactions?—Yes.

3446. What was the plan adopted as a check on these transactions?—There were local officers at various stations who were in charge of these things.

3447. Army Service Corps officers?—Army Service Corps officers, who were responsible for what went on in their own places; and it was their duty to call attention to anything they thought was wrong.

3448. Then, summing it up, may I put it in this way, that the machinery existing under the Army Service Corps you did not consider adequate for dealing with these stores, did you?—Yes, I did. I thought they were adequate. I doubted if they were so good at placing their goods as the local contractors, through their not knowing the markets so well; but I considered they were quite fit to discharge the duties of selling and buying.

3449. But not on this large scale, and in a prompt way?—Yes.

3450. Otherwise you would not have gone to contractors, I presume? You thought they could get better prices?—Better prices; but so far as the actual dealing went I thought the Army Service Corps would do it right enough.

3451. You thought really the Army Service Corps system was sufficient to cope with an occasion of this sort?—Yes. I am not prepared to say that I think they were so good at dealing; I do not think they could get such good terms for us as the contractors got for themselves afterwards through their knowing the markets better.

Sir Robert Mowbray.

3452. Do I understand that the old system of the Army Service Corps having the distribution of the stores went on for some time after you took over the command?—Yes.

3453. When did it come to an end?—Lord Kitchener telegraphed home suggesting this Sales and Contracts system, I think, about a week after the peace, or something of that sort.

3454. Then was the new system got into force at once? I thought the new contracts did not come into force till the following January?—The contracts were not made, but the system of sales was adopted.

3455. But the old system went on working, did it?—Yes. Until January 1st, when the contracts came into force.

3456. That is to say, for something like eight months?—For six months.

3457. What was your experience of the system whilst it was going on—did it suggest to your mind that the contract system which you had then adopted, but which had not been brought into

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into force, would be an improvement?—Yes, from those considerations which I read out to the Committee I thought it was the best thing we could do.

3458. Those are the considerations which induced you to put the new system into force?—Yes.

3459. I was wishing to know whether that expectation was confirmed by your experience of the six months after the contract system had been determined upon but not yet brought into operation?—So far as I know, the ordinary system went on all right. It was not brought to my notice at all that it was not going on all right. I suppose we were serving out all the stuff which we had on the spot.

3460. You practically reserved about six months' stores to deal with yourselves in anticipation of the contract system coming into force six months later?—Yes, it would be quite as much as that. There was a lot of correspondence between the Office out there and the War Office. Those are details I do not remember just now.

Mr. Gibson Bowles.

3461. There is one little question I should like to ask in order to clear up a doubt that still remains in my mind. In the dual system the only novelty, as I understand it, was the sale of Departmental stores to outside contractors?—Yes.

3462. That is really the only novelty of the thing. Do I understand you that was to be applied to anything more than surplus stores—that is to say, stores you did not want?—No, it was to be applied to everything that we could get rid of, over the reserve.

3463. My recollection is that there was said to be an arrangement by which you were to keep stores enough to carry you on, I think, until December 31st?—Yes, there was a reserve to be kept.

3464. You would not have contemplated selling those stores?—We should always keep a certain amount in hand.

3465. Very good. What I want to arrive at is what the system was intended really to apply to. As I have hitherto understood, it was only intended to apply to surplus stores—that is to say, those stores beyond your immediate wants then and in the future. Am I right in so understanding it?—I do not think the reserve was as much as six months; it was three months.

3466. There was a distinction between perishable and imperishable stores, I think. (To Sir Guy Fleckwood Wilson.) Was not that so?—These were all perishable stores.

3467. (To General Lyttelton.) What I wanted to know was, was it really contemplated that you should sell the whole of these stores or only such part of them as you did not want to use?—We kept a reserve; a three months' reserve was to be kept untouched; but you should

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ask the Director of Supplies about that. He would know these things exactly.

3468. I ask this question because you see, of course, part of this question really arose not from the sales themselves but from our selling what we had to buy back?—Yes.

3469. That is the point I am on, you see. The mistake, if there were any, seems to have been selling what we ought not to have sold, but to have kept and used?—Yes, but there were many considerations that discounted the disadvantages, chiefly the great loss from deterioration from exposure.

3470. I want to know what you contemplated originally when this new plan was suggested—I mean the plan that was invented, I believe, by Colonel Morgan, and adopted by Lord Kitchener?—And approved by the War Office.

3471. And carried on by you. Did you apprehend it would be extended to anything beyond surplus stores?—It was surplus stores, I believe, but, as I said before, though I am quite ready to give what details I can another day, I did not come with the idea that I was going to be asked all these things.

3472. Then I will not carry it further.

Mr. Buchanan.

3472*. May I ask whether this was not your anticipation when the arrangement was come to in the month of June: the contracts for supply were not to come into operation till January 1st; did you not anticipate that before January 1st had come round you would have been able to dispose practically of all the stores, some by consumption, others by sale?—We were selling all that time, but I should hardly like to say. We hoped we should. We were selling all that time, but I should hardly like to say positively.

Sir Brampton Gordon.

3473. I do not know whether you could give us the exact explanation of what "surplus to requirements" means. In the instructions with regard to Meyer's contract only sound out "surplus to requirements" were to be handed over; does not that mean beyond three months' supply?—I cannot tell you at the moment.

3474. I ask the question because if it were necessary to make a contract I do not see how they could be "surplus to requirements"?—I cannot tell you without looking it up. All this is three years ago.

3475. It all hangs on that. You did not propose to sell to the contractors this three or four months' reserve at all?—No. We meant to to keep a certain reserve in hand. Might I say with regard to the papers asked for by the honourable Member, Mr. Gibson Bowles, on the last occasion, I understand he asked for some paper which he said I had written to General Butler's Committee. That is a mistake; I never wrote anything to General Butler's Committee at all.

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3476. My

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3476. My first impression was that the Report for which I asked was an Official Report, but I gather, at any rate, it was before the Butler Committee?—It was not written by me. I should

Major-General R. AULD, C.B., called in; and Examined.

Chairman.

3477. You were, at the time we are dealing with, in the Quartermaster-General's Department?—Yes.

3478. Were the Army Service Corps withdrawn by the desire of Lord Kitchener, or was it by the desire of the War Office?—It was, I believe, by the desire of the War Office, but Colonel Clayton, who was administering the Army Service Corps at the time, and is now, could give you the fullest information upon the point.

3479. But you were Deputy Quartermaster-General, and you ought to know about it?—Quite so; but at the same time, I may explain that the Officers in charge of the different Departments went direct to the Quartermaster-General, and in some cases only in his absence did they come to me. Therefore, in many cases, I really knew nothing of what was passing at the time. But Colonel Clayton can tell you probably exactly what happened.

3480. We will ask Colonel Clayton about it later. Could you tell the Committee why the Army Service Corps were withdrawn immediately upon the conclusion of peace?—There was really no reduction at all immediately after the conclusion of the war; there was rather an increase than otherwise.

Colonel F. T. CLAYTON, C.B., called in; and Examined.

Chairman.

3485. Are you aware of any reduction of the Army Service Corps personnel shortly after the conclusion of peace?—There was none whatever at that time; on the contrary, there was a very large increase.

3486. Was not a reduction contemplated then?—Not only was no reduction contemplated, but the War office (because they knew what great pressure there was at the time) made arrangements to enlist 600 special service clerks, and send them out to South Africa; but a large portion of them arrived in South Africa after the war was over.

3487. Then General Lyttelton's contention that there would be a reduction of the Army Service Corps personnel was not borne out?—It was not borne out till the following year. In the following year there was a reduction.

3488. But it was in the following year the contracts began?—Yes, in the following year there would be a reduction.

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think it was a report from the present Commander-in-Chief in South Africa, General Hildyard.

(General *Lyttelton* withdrew.)*Chairman*—*continued*.

3481. You heard General Lyttelton say that one of the principal advantages to be gained by the contractor system being adopted, would be the withdrawal of the Army Service Corps?—I heard him say so.

3482. You also heard the passage I read from Colonel Morgan's evidence, in which he referred to that point. Let me read another passage: At Question 5090 he was asked, "Did you represent to the War Office then the change that had come over your opinion as to the treatment of the supplies in consequence of the reduction of the personnel"; to which he answered, "I distinctly pointed out that in consequence of reduction of personnel it would be necessary to make contracts." Do you agree with that?—I agree with what I have heard read.

3483. But those two witnesses distinctly say there was a reduction of personnel?—There was no reduction absolutely at the termination of the war. When it commenced I cannot tell you, but if you will allow Colonel Clayton to sit next to me he could prompt me with dates and figures, if you would permit it.

3484. Certainly; perhaps you would prefer that I should put my question to him direct?—If you please.

Chairman—*continued*.

3489. (To Major-General *Auld*.) Do you remember any representation being made to the War Office, such as that which Colonel Morgan alludes to at Question 5090?—No, I do not remember any; in fact, there was none.

Mr. *Gibson Bowles*.

3490. (To Colonel *Clayton*.) When was the reduction made?—I can give you the exact numbers if you like.

3491. When did the reduction begin?—The reduction began first by the reservists coming home; they had to come home. But as I have just told you, at the end of the war there was a very big increase to make up the reduction in regard to the reservists we had to take away. We were bound to bring the reservists home.

3492. When did any reduction in the Army Service Corps begin?—It was gradual right through the year following the termination of the war.

3493. Had

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3493. Had you not a number of men employed in the War Office who were there to fill up the places of men in South Africa?—Nearly every place right throughout the United Kingdom was filled up by civilians who were taking the place of the Army Service Corps men who were in South Africa.

3494. Was it not desired to bring home the men from South Africa in order to relieve the State of keeping those men?—It was most desirable, but we could not get them; we only got a very few.

3495. Would not that be a considerable factor in coming to the determination to employ contractors—that there was difficulty in distributing the stores by the Army Service Corps men?—The difficulty of distributing, I think, has been mistaken altogether. The difficulty in distributing the stores really was in regard to the number of natives who were employed by the Army Service Corps in South Africa. That is where the mistake has arisen. There was a tremendous reduction made in the number of natives.

3496. Immediately after peace?—No; immediately the contract system came in.

3497. But it was one of the objects of the Contract System to get rid of these natives?—Quite so.

3498. And also to get rid of the Army Service Corps men?—Yes, to get rid of the Army Service Corps men at the same time; but very few of the Army Service Corps men came home—not anything like in proportion to the number of troops that came home.

3499. (To Major-General *Auld.*) Can you tell us anything in regard to the supply ships; were they immediately stopped after the declaration of peace?—Yes, they were stopped, with the exception of five, I think it was. They were already loaded, and we could not possibly cancel the contracts. We asked the Admiralty, and they made out a case by which it appeared that really, supposing we had cancelled the freight, the expense would have been so enormous that it was not worth while. That was our advice from the Admiralty.

3500. It was from those ships in transit that this amount of stores which General Lyttelton spoke of as arriving in trucks after the peace came, I suppose?—Not only from the ships in transit, but there was a congestion of ships at the port at the time which had not been discharged, and it was really from those ships. In fact, the last ship discharged, I think, was on November 24th, 1902.

3501. You are quite sure that no ships left these shores shortly after peace was declared; there was a general order to stop the supply ships, was there?—Nothing beyond those five ships; that, I think, came out in Sir William Butler's Report. Those were already taken up, the supplies were provided, and everything was on board, and we could not cancel them.

3502. What was the reason of altering the O.S.

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direction in regard to the store ships; I mean placing the direction of it in the hands of men at Pretoria, and taking it from the officers at the port?—That was done out there; it was a local arrangement. I presume they made Pretoria the headquarters for administration.

3503. Do you consider that would be a better plan than keeping it at the port?—Well, that depended very much on Lord Kitchener, whether he chose to administer his staff from headquarters rather than from the line of communications.

3504. Was it by his direction that it was done?—I presume so.

Mr. Gibson Bowles.

3505. (To Colonel *Clayton.*) Can you tell me roughly what the numbers of the Army Service Corps were in South Africa on June 30th, 1902?—1,625.

3506. Now can you tell me what the numbers were roughly on December 31st, 1902?—1,264.

3507. Then they had somewhat decreased?—The Reservists went home; they had to go home, as I have explained.

3508. Now will you tell me what the numbers were on June 30th, 1903?—I cannot tell you the number on June 30th, 1903. I could give you the number on March 31st, 1903.

3509. That will do for me?—The number then was 1,061.

3510. What is the next date for which you can give me the number?—The next date I have is December 31st, 1903.

3511. What was the number then?—371.

3512. Then, in fact, up to December 31st, 1903, there was very little reduction in the Army Service Corps?—Very little.

3513. Consequently, if it had been intended by this dual system to make a great saving in the Army Service Corps personnel, that expectation was not realised?—No, I could give you the exact numbers that came home and took up duty at home if you desire it.

3514. I think the numbers you have given me are quite sufficient to illustrate the point?—Yes.

Mr. Cohen.

3515. (To Major-General *Auld.*) You told the Chairman that in regard to the five ships that went out from this country, and which you did not stop, you ascertained from the Admiralty that the loss would be so prodigious that you thought it better to send them out than to face that loss?—Quite so, because we should have had to face the loss upon the sale of the stuff at home, which would have been considerable, and we should have had to pay for dead freight.

3516. That is what I wanted to come to. The nature of the contract made by the Admiralty was only for the transport of that cargo, whatever it was, that was contained in the five ships?

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—I think the Admiralty contracts were always f.o.b., that is free on board from this country.

3517. Supposing you had been willing to pay to those ships just the same sum as if they had gone out, and not to have sent the stores, could you not have been released?—No, I think from the form of the Admiralty contract we should have had to pay for the freight—there was no chance of getting out of it.

3518. When you say there was no chance of getting out of it, I should just like to understand that. If you paid the contractor without the service being rendered the same price as you would have to pay if the service had been rendered, you could surely have been released, could you not?—Possibly.

3519. I assume you could, for that seems axiomatic. My next question is this: As it turned out, would not that have been much cheaper than incurring the loss which followed from the supplies being sent out and being subjected to this dual contract arrangement?—No, I believe not. I really think we made a saving.

3520. You think the amount you would have had to pay was greater than the amount you did have to pay under this dual system. I ask the question because I rather gathered from what Sir Neville Lyttelton said that although the War Office ought to have known that the dual system would follow from the withdrawal of the Army Service Corps, he himself is not convinced that they did know it. I want to ask you whether if you had paid the full price which you had contracted to pay for these five transport ships, you do not think you would have saved money, notwithstanding that heavy fine, as compared with the loss which you incurred by sending out the goods and subjecting them to this dual contract system?—No, I maintain my point.

3521. I do not want to cross-examine you, I only want to get your opinion. You think that the fine which you would have had to pay would have been greater even than the loss which resulted under the dual system?—I think we should have made a very bad bargain if we had done that. The bargain that we made was better, in my opinion.

Mr. Pym.

3522. Could you tell me the approximate dates when these five ships which you mention left our ports to go to South Africa?—Unfortunately only the dates of discharge are shown in the return I have here.

3523. What were the dates of discharge?—The actual dates of discharge given here are the 4th, the 8th, the 14th, the 21st, the 25th of June, and the 5th of July.

3524. Do you mean those were the actual dates of discharge in South Africa?—Yes.

3525. Then the ships must have left this country about six weeks before, I presume?—No, it would be about three weeks. Of course,

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it depends to some extent upon the demurrage.

3526. Were they sailing ships?—No, they were steamers. The ordinary time was three weeks to a month. Those supply ships were rather slower than the others, but we got them cheaper.

3527. Were there no other vessels sent out with military stores subsequently to that?—Only from the Colonies.

3528. I mean from our ports, were there no others subsequently to that?—No. After the cessation of the war we stopped everything except those five ships.

3529. The declaration of peace could only have been known in this country a very few days anterior to the sailing of those vessels?—I have a note here which would perhaps help you. On June 18th, 1902, we telegraphed to the General Officer Commanding with regard to a telegram of his on June 3rd, and we said: "Supply ships from England will cease after July 5th. We are committed up to that date." I could furnish the exact dates when the ships left, later on, if you desire it.

3530. Could you tell me this: When those ships arrived to discharge their cargoes, was the harbour free at the time for them to discharge them, or were they kept waiting?—I am perfectly certain that they were kept waiting, because the whole place was congested.

3531. Would it be three or four months before they were discharged and the military stores sent up to Pretoria?—Not so long as that, I should think. I was not there at the time, and I could not say how long it would take.

3532. Could you say whether the whole of the stores which were carried out by those five ships were sent up to their destination before the end of the year?—Presumably that would be so, but that was a South African arrangement.

3533. My object in asking the question is this: If the stores were not sent up until after December 31st, they were then sent up, not for the purpose of being administered and given out by the military authorities, but they would naturally come into the amount which the contractors were then dealing with. Is that correct?—I imagine they all reached up country long before then. I should say that would be so, certainly.

3534. But were there any military stores sent up from the ports, either from Cape Town, or Port Elizabeth, or Durban, subsequently to December 31st?—I am sorry to say it is impossible for me to answer that question. (Colonel Clayton.) That would be a matter which would be arranged out there; we should not know of that in England. (Major-General Auld.) That was a South African arrangement entirely.

Mr. Goddard.

3535. Excepting for the matter of having to pay for the freight, those vessels could have been stopped, I presume?—You mean they could have been

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been discharged in the Port of London. No doubt that is so.

3536. There would have been no difficulty in doing that if it had been thought advisable?—No.

3537. Is it the fact that in addition to the freight which you were speaking of just now you had other charges, such as demurrage, unloading, railway rate up to the point of delivery, and handling the goods again; and when you have added all those charges, do you not consider that it would have brought up the price to such a degree that it would have been better not to have sent out the goods at all?—That was fully considered at the time, but perhaps I might explain that at that particular moment we were under the impression that there was absolutely nothing in South Africa, that the whole place was denuded of everything for the civil population, and that any amount of supplies that happened to be at hand could have been utilised and got rid of easily on the spot. With that in view we naturally came to the conclusion that the supplies might go out. We took the Admiralty advice as far as freight and so forth was concerned, and let the things go out. Our impression, as I say, at the time, was that the country had been denuded of supplies and was starving.

3538. That was the opinion that Lord Kitchener held—that there would be a tremendous rise in the price of these stores?—Exactly. We felt that everybody had got to be fed and the whole place was denuded, and, therefore, a few surplus stores were far more valuable there than they would be in this country.

3539. Of course, that expectation proved not to be correct?—No.

Mr. Buchanan.

3540. On that subject, may I ask whether any attempt was made to stop ships coming from the Colonies?—No, we could not do that, because the contracts there were c.i.f.—that is, cost, insurance, and freight—and we could not get out of the bargain; they had to go on.

3541. How long was that bargain to run after the conclusion of the war? Were there contracts running for any time?—No, I think not. I cannot quite say as to that; perhaps Sir Alfred Major could speak to that. (Sir Alfred Major.) We sold some of those cargoes.

3542. (To Major-General Auld.) For how long a time did these ships from the Colonies come in delivering stores?—November 24th, 1902, was the date of the last discharge.

Mr. Gibson Bowles.

3543. Was that a Colonial ship?—Yes. There is no port notified for that in this return. The ship was the "Askehall." That was a New Zealand ship, I think.

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Mr. Buchanan.

3544. You could have got out of those Colonial contracts, could you not, if you had chosen to pay?—I do not think we could; at any rate, it would have been at a tremendous loss.

Chairman.

3545. (To Colonel Clayton.) I want to ask you one question. You were Assistant Director of Transports, were you not?—Yes.

3546. Was your transport ever used for transporting contractors' supplies in South Africa?—I can only speak from hearsay as to that, but I believe they hired out some of their wagons to a contractor at Pretoria, because it was difficult to get wagons. He paid 2*l.* a day for each wagon he got.

3547. They were hired to him, were they?—Yes, he had to pay for them.

3548. Can you tell me whether the expected withdrawal of the Army Service Corps led up to the dual system, or whether the dual system led up to the withdrawal of the Army Service Corps?—I think it had nothing to do with it. The reduction that took place was, as I said before, in the native personnel.

3549. That, you say, was a considerable factor?—The wages bill for the native personnel dropped from 35,000*l.* a year to 3,000*l.*

3550. If the War Office had all these men employed at home, they surely must have wanted to bring back the Army Service Corps men?—Yes, we wanted to bring them back, and we fixed a certain Establishment for South Africa.

3551. That would be a fact that was known to Major-General Lyttelton and to those who made the contracts?—Yes, naturally. We had denuded the country of Army Service Corps men entirely, and therefore we had to employ civilians everywhere.

Sir Brampton Gordon.

3552. (To Major-General Auld.) When you say the country was denuded of supplies, did that apply to oats?—Yes, it applied to every possible commodity.

3553. But in South Africa they do not want oats; we only sent out oats for our own horses?—Quite so.

3554. They use mealies; therefore there can be no use in sending out oats, however much the country was denuded?—But our own horses were fed on oats, and there was a very considerable amount of them.

3555. But you said that you continued to send out these things because you supposed that the Colony would want them?—I think there were 65,000 tons of oats that were sent out which we did not cancel. That was all, I think. I could give you the particulars if you desire them.

3556. That was after the war closed?—Yes. On the 5th June we telegraphed to South Africa to say that there was 65,000 tons of oats on order for South Africa from abroad, and 26,000 tons from

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from England. We proposed not to interfere with the foreign shipments, as I have explained, and we contemplated selling the greater portion due from England, probably at a loss, if not required in South Africa; and we asked Lord Kitchener to advise by telegram. He telegraphed, "I take notice that foreign shipments amounting to 65,000 tons will not be interfered with. I contemplate being able to sell locally good quantity of reserve of forage at good prices, but do not advise you sending any of English purchase as it will only increase demurrage and add more to cost than can be realised by local sales." So that he accepted the 65,000 tons of oats in anticipation of a very good sale there.

3557. In which anticipation he was entirely wrong?—As events proved. We told him they were coming out.

3558. But how could he expect that oats would sell well out in South Africa where they are not used except as oats forage?—It does not take very long to get through 65,000 tons of oats.

Mr. *Gibson Bowles.*

3559. In regard to this point of the oats which arrived after the cessation of the war, have you got the Report of General Butler's Committee before you?—Yes.

Sir ALFRED MAJOR recalled; and further Examined.

Chairman.

3565. The Committee have been furnished with a memorandum dated 7th March, 1899, in which the duties of the Director of Contracts are described as follows: "The Director of Contracts is charged under the Financial Secretary, and in concert with the heads of the Divisions concerned, with the supervision of all contracts for transport; with the purchase or sale of supplies, stores, clothing, lands and buildings; and with the supervision of all special local purchases." I have to ask you was there any representative of your branch in South Africa who could control these contracts?—No.

3566. Then that part of your duties was an absolute impossibility?—That description here of my duties as regards the sale of supplies, only applied to Headquarters' sales—that is to say, sales made at Woolwich. I never have had anything to do with sales that have been made in a District; they are dealt with under separate regulations and done under the responsibility of the General Officer Commanding.

3567. Then how do you account for the wording of this memorandum which says, "And with the supervision of all special local purchases?"—That is "Local purchases; I had to do with

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3560. If you will look at pages 32 and 33 you will see a list of the oats that arrived after the conclusion of the war. You will see first "shipment of oats from England since May, 1902." You will see that there is a comparatively small amount sent from England, but that the great amount that arrived after the conclusion of the war is shown on the next page?—Yes.

3561. Those were all from other countries than England, mainly from the Colonies, I presume?—Yes.

3562. Did I understand you to say that there were only 65,000 tons of oats that arrived after the end of the war?—We had 65,000 tons on order from abroad. There were 26,000 tons on order from England, and 65,000 from abroad.

3563. Then it is 26,000 plus 65,000?—Yes, but we did not bother about the English oats; we got rid of them. We sold some at home and used the remainder at Aldershot, so that we were really able to utilise the amount on order from England.

3564. It was only the Colonial oats that you had to deal with?—Yes.

(Major-General *Auld* and Colonel *Clayton* withdrew.)*Chairman*—*continued.*

purchases, but I was speaking of sales; I understood your question to be as to sales?

3568. We rebought of these contractors; these are local purchases; we placed our stores in the hands of these contractors, and they sold them back to us—that therefore is a purchase?—That is so, and we did check the price at which these contractors offered to supply forage to us—that is to say, 17s. 11d. per 100 lbs. Those being contracts for purchase, were sent to me and were carefully examined, and considering that the cost, even under our economical mode of purchase, was 14s. 1d., we came to the conclusion that 3s. 10d. additional, which we believed included distribution, was not an extravagant charge, and we passed 17s. 11d. as a reasonable charge.

3569. That was passed by your branch?—Certainly.

3570. Was that taken in connection with the sale of the oats at 11s. per 100 lbs.?—No. We never knew of the sales; the sales were not sent to me. The money that was realised by the sales was merely credited in the cash accounts. Those cash accounts, I presume, may have been sent at a later date, but they were not sent at any rate while.

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while the Contract Branch was in existence under me, I think.

3571. Then you had no knowledge that could have guided you with regard to the price you were to pay for them when you took that step?—None whatever.

3572. The original proposal, as I understand from the evidence, was that the contracts should be made at home; in that case those contracts would, of course, have been supervised entirely by you?—Certainly, and made by me.

3573. Then why did you accept the change on July 5th by telegram?—I have not had an opportunity of looking at the papers to refresh my memory on the subject, but I believe the Report of General Butler's Committee is very incorrect in the implication which he makes. The Quartermaster-General was the man who proposed to me that local contracts should be made, although here it appears as if the Quartermaster-General had proposed (he might on some papers) that we should supply from home; but, as a matter of fact, I was the vehicle of communicating to the General Officer Commanding there that we approved of local contracts being made from January 1st next; that was allowing six months for the consumption of supplies which were already in the country. In fixing that prospective date we imagined, of course, that the larger proportion of the supplies would be consumed. That was not done on my authority; it was done in concurrence with the Quartermaster-General and with the approval of higher authority.

Mr. Gibson Bowles.

3574. Do you mean with the authority of the Secretary of State?—I have not seen the papers for so long that I cannot say; they are impounded now, and I am unable to say positively. I think it would be the Financial Secretary. The Financial Secretary would no doubt approve it.

3575. Do you think it was the Financial Secretary?—I think so, probably; but he might have spoken to the Secretary of State.

Chairman.

3576. Between the date of the tender, we will say, and the acceptance of the contract, you had the supervision of this contract; it was submitted to you as regards the terms that were to be given?—As regards the terms which were given for the supply of oats, I did see those tenders, and the prices were examined by all the light we had at our disposal, and we did not consider that the price that was being paid was extravagant.

3577. Did you strongly advocate the contracts being made at home?—I do not think I did. I did not strongly object, because you see it is the practice all over the world that where troops are stationed in a command the contract shall be given to the people where the troops are

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quartered. It is only reasonable; and we could not protest too much. I was of opinion myself personally that we could have supplied the Army at a very much more economical price than they could buy these supplies elsewhere; but in face of the fact that it is the universal system that troops should subsist upon local contracts where they are stationed in a command, I could not persist in saying it should not be done in South Africa.

3578. You did not think it necessary to have a representative out in South Africa?—Of course, I think it was most unfortunate when the war broke out that there was not a representative of the Contract Branch out in South Africa.

3579. That is a very important question?—I think it was most unfortunate. But at the time we were working under a tremendous strain, and when the war broke out the strain upon the Contract Branch was something enormous. My staff were working from 12 to 14 hours a day.

3580. Did you ever make a representation that you should have a representative out there?—I did not. The question of sending out a civil staff to supervise things in South Africa was a question of policy for the Secretary of State to decide. At that time the Contract Branch had been so attacked and its authority so undermined that any expression of opinion from me that it was advisable that a member of my Branch should go out to look after the General Officer Commanding would have been scouted as impertinent.

3581. I quite understand it would not have been a matter for you to decide, of course?—No.

Mr. Gibson Bowles.

3582. I think we have got it clearly from you that while you had to do with buying you had nothing to do with selling?—Except such sales as took place at Woolwich; those I did supervise.

3583. Did I rightly understand you to say that with regard to the purchases at the price of 17s. 11½d. per 100lbs. of oats in South Africa you did know of that?—Yes.

3584. You thought that was a reasonable price, inasmuch as these same oats had cost us 14s. 3d., I think you said?—14s. 1d. I think it was, taking them out there.

3585. How did you come to know of these purchases at 17s. 11½d.; were they submitted for your approval?—Yes, the tender was sent home.

3586. Were not you at the same time told anything about sales to the same man of the same oats at the same place at 11s. per 100 lbs.?—Not a word.

3587. When did you first become aware of that?—I never became aware of it at all.

3588. The reason I put it to you is that if you had known that these oats were being sold at 11s. per 100 lbs. it might have affected your

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opinion as to their being worth, for re-buying, 17s. 11½*d.*?—I should not have regarded so much the question of the sale of the oats, unless I had full information of their condition, and what was to be done with regard to them, as the question of price at which we could have supplied them out there.

3589. But these were the same oats in the same place. If you had known that the same oats were being simultaneously sold for 11s., and bought for 17s. 11½*d.* from the same man, that would have affected your idea of the propriety of that latter price?—Yes, but there was only a small portion that was bought at that price. Of course, it would have affected it, if the same quantity of oats were going to be re-issued; but you must remember with regard to the sale of the oats, there was a very large quantity of oats sold to this man, which were continually deteriorating; and while there was sold something like 17,000,000 lbs., all we bought from him was 3,000,000 lbs.; therefore there were still 14,000,000 lbs. of oats rapidly deteriorating, and it was exceedingly difficult to keep them in good condition, and those oats we sold at 11s. per 100 lbs., which was not at all a bad price.

3590. With regard to the question of deterioration, are not oats generally considered to improve by becoming older?—I dare say they would if they were kept in a good sound warehouse, in a granary on the Thames.

3591. In this country would you not pay extra for old oats?—Up to a certain point, no doubt you would.

Mr. Buchanan.

3592. You were aware, of course, of these sales going on in South Africa?—We knew the sales were going on, because we were prohibited from selling here some of those cargoes which were mentioned just now. There were a great many cargoes coming from the Colonies which we were anxious to dispose of, so far as the Contract Branch was concerned. We did sell three or four cargoes at a loss, it is true, but it was a very small loss. But the moment Lord Kitchener telegraphed home to say they could sell everything at a profit, I said, "Well, we can only sell at a loss, and we must give it up," and I agreed with the Quartermaster-General that we would make no further sales. But taking oats, I think we had about 100,000 tons that were bought in London that were coming in, and we sold all those at a trifling loss; I do not think the loss amounted to 5 per cent.

3593. The object of my question was this: You authorised, as I understand, the contract for the purchase of oats at 17s. 11½*d.* per 100 lbs. some time in the autumn of 1902?—I did not authorise it.

3594. It was submitted to you, and you approved it?—No; the tender was accepted locally. It came up to me some months after for criticism, and I said the price could not be objected to.

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3595. I may have misunderstood you, but I understood this contract had come before you as the Director of Contracts, and you had approved it; was not that so?—No, it was approved and accepted locally. It came up to me some two or three months afterwards; it was then examined, and we came to the conclusion that it was a price that could not be objected to.

3596. Was that after the contracts had begun to run after January 1st, 1903?—I should think it would be after the contracts had begun to run.

3597. The question I want to ask is this: When you approved, or said the price of 17s. 11½*d.* could not be objected to, did it not occur to you to ask at what price the oats had been disposed of in the surplus sales of oats?—No, I did not ask that.

Chairman.

3598. If the contract had been already made, what was the object of submitting it to you?—It is a regulation that all contracts which are made at foreign stations should come up to the War Office for review, and occasionally we object to the price that has been paid, or make various comments upon it.

3599. Can you alter the contracts?—They are made, we cannot alter them, but we can point out to the General Officer Commanding, or the officer who has made them, that he ought to have done so and so, and that we consider the price excessive. Reviewing a contract is, no doubt, something like locking the stable door after the steed has been stolen.

Sir Frederick Banbury.

3600. With regard to the question of submitting contracts to you for your approval, we had some discussion as to your views about contracts a day or two ago, the last time you were before the Committee?—I spoke about the question of Mr. Maconochie's contract.

3601. (To Sir Guy Fleetwood Wilson.) I should like to ask what view the War Office takes as to the approval of contracts?—I do not quite follow your question.

3602. I want to know whether when a contract is submitted to the Director of Contracts the War Office takes the view which was expressed by the Director of Contracts in his evidence before this Committee a day or two ago, or another view?—Sir Alfred Major was giving evidence as to what was the policy and what was the practice whilst he was Director of Contracts; I think that is so. (Sir Alfred Major.) Certainly. (Sir Guy Fleetwood Wilson.) He would be the person to speak on the policy and practice of the Department at that time. In those days the review of contracts devolved upon the Director of Contracts, and he would guide the policy of the Department in regard to contracts. The system is now entirely changed; it would perhaps be rather lengthy to explain the

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the new system, though, of course, I can do so if you wish it.

3603. I will not ask you to explain that, but I will ask this: Was the alteration made because the War Office disagreed with the views which have been expressed in evidence here?—The change was made mainly in consequence of the recommendations of Lord Esher's Committee. (Sir Alfred Major.) I think the honourable Member may perhaps misunderstand that answer. You allude, I take it, to a change made in regard to the distribution of contract work. I do not think any recommendation was made by Lord Esher's Committee in regard to policy.

3604. (To Sir Guy Flectwood Wilson.) You say, as I understand, that the policy of the Department has changed?—Yes, but it depends somewhat upon what interpretation is put upon Sir Alfred Major's evidence. (Sir Alfred Major.) I think the honourable Member has placed rather an extreme interpretation upon the evidence. (Sir Frank Marshall.) I am quite willing to speak on the old practice if desired to do so.

Mr. Cohen.

3605. (To Sir Alfred Major.) I understand from Sir Neville Lyttelton that the War Office ought certainly to have known that the system of buying and selling to the same contractor was going to obtain in South Africa. I want to ask you whether, as a fact, it was known at the War Office that that practice was going to prevail?—So far as I am concerned it certainly was not.

3606. I gathered from what you said just now that you can only object to a contract; you said that a contract could not be varied when once executed, because you objected to it; but your objection would have value for future contracts of the same character which would not be entered into, I presume, if your objection was known to the authorities out there who were contracting?—That is so.

3607. Therefore there is some advantage, if not with regard to past contracts, at any rate, in future contracts, from your objections?—I imagine there is some advantage certainly in submitting them for review to the Director of Contracts.

3608. He cannot alter already executed contracts, but the officer would be violating his duty if he continued to do something in face of your objection—you would be regarded as the binding authority, I presume?—That is so.

Mr. Pym.

3609. There is one question I should like to ask about your evidence on the last occasion—I was not here at the last meeting of the Committee, but I have been reading the evidence since, especially in the matter of your views with regard to contractors entering into contracts.

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Looking at what you said in answer to Sir Frederick Banbury, and also in answer to Mr. Cohen, I think, perhaps, what you said on that occasion might be misunderstood, and might give a wrong impression as to what view you took, as head of the Contract Department, of your duty to protect the public. In your answers here it seems rather as if you thought you might on occasion look at contractors from a contractor's point of view as well as that of the War Office—that is shown particularly when you say, when at Question 3304 you were asked "May I ask what is the use of a guarantee or a contract if the contractor when he cannot comply with it is to come to the War Office and say 'It would be mean if you exacted the full penalty,'" and then you, as I understand, answered the question by saying "It would depend on the circumstances under which the contract was given. For instance, in the War Office a contractor will often tender at a certain price, and it may be a low price; if we think the price too low, we do not take advantage of him and accept that price without giving him an opportunity of revising his tender." The next question you are asked (to illustrate it) is "If the War Office asks for a tender for certain work, and specifies it is to be of a given quality, and the contractor offers to do it for 20,000*l.*, do you mean the War Office say 'Do you not think you had better charge 25,000*l.*.'" and your reply is "No, we do not say that, but if we know that the 20,000*l.* is some 4,000*l.* or 5,000*l.* below the sum at which the cost has been worked out, and we think the contractor has tendered from want of information or has not properly looked into it, and had patterns or specifications, we should say 'You had better look at this price again, and you had better look at the pattern, and look at your specification.'" Then in explanation of that you again, in answer to the next question, say "We do not want contractors to break down when the thing is half done, or to be under the impression that they can scamp their work." Now, of course, that might give the impression that you were rather looking at it from the point of view of the contractors as well as that of the War Office; but I think what you really meant was this: That where a contractor was undertaking to do some work at a price which you had every evidence from the point of view of the War Office was far below the price he could do it at, he must scamp his work some way or other. Is that your contention?—It is exactly what the honourable Member says.

3610. And you are really protecting the public interest in taking that view?—Most distinctly. It is the public interest and our own interest, and always has been in the Contract Branch, not to take advantage of the ignorance or slips of contractors. In saying that I meant with regard so Mr. Maconochie's treatment that where a man has obviously made a slip in his tender or in his contract,

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Sir A. MAJOR.

[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*Mr. Pym—*continued.*

contract, it was the policy of the Department to extend to him lenient consideration.

3611. This evidence, when I read it, gave me the impression, or rather I thought that it would give the public the impression, that the head of the Contract Department at the War Office was not really single-minded in his protection of the interests of the public, and I thought it was only right that we should give you an opportunity of explaining what you meant?—I am very much obliged to the honourable Member. I think it has been a little misinterpreted, but the policy we have pursued is distinctly in the public interests. We do not wish to break a contractor; we do not wish to induce him when he is half way through his work to stop his work because the price at which he has tendered is absolutely unremunerative.

Sir Brampton Gurdon.

3612. I think we understood that on the last occasion?—I am obliged to the honourable Member.

Mr. Goddard.

3613. I did not quite understand your evidence with regard to these purchases made locally; I understood you to say it was the usual practice to buy locally?—That is so in foreign commands.

3614. In order to give the locality any advantage there might be in supplying the needs of the Army?—Of course, the honourable Member will understand that applies to commissariat supplies.

3615. Does it not apply to forage?—Forage would be a Commissariat supply.

3616. But in the case of such purchases, in the ordinary way, they come to your notice, and you as the Director of Contracts have the deciding of them?—Only after they are made they come to me.

3617. After they are made?—Yes.

3618. Then you do not decide them at all?—No, I only criticise them.

3619. You can only criticise them after the event?—That is all.

3620. Has it always been the practice to make these purchases outside your cognisance?—In the case of foreign commands for commissariat supplies or other little stores. Of course, ordnance stores are always supplied from this country.

3621. I understand you to say the tenders come before you?—Yes, after they have been accepted.

3622. Then so far as that goes they were not tenders so far as you were concerned; it was only telling you that different people had put in a price; it was only for the sake of information. But I understood you to say with regard to the case referred to just now, that you could have supplied cheaper; you did not altogether ap-

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*Mr. Goddard—*continued.*

prove of the buying of these stores there?—I think with regard to South Africa, I have very little doubt, considering the very large number of troops there were to supply, we could have supplied cheaper. That is my opinion; you may take that for what it is worth. They were paying 17s. 11d. per 100 lbs. for oats; and the price at which we were supplying at the time, including railway charges and all miscellaneous charges, brought it out at 14s. 1d. per 100 lbs.; that is a difference of 3s. 10d.

3623. Your 14s. meant delivered there under the same conditions to compare with the 17s. 11d.?—Well, I am not quite sure whether the 17s. 11d. did not include something else in the way of distribution. The 14s. 1d. was the cost delivered there.

3624. At the stores?—Yes, but if the contractor distributed them, of course he would be entitled to something beyond that, and of course he must have a profit.

3625. But the man you bought it from had made his profit in the 14s. 1d.?—Yes, he would have made a small profit, but not the profit they would expect in South Africa.

3626. They want a large profit there. But in regard to these local purchases, the practice has been where it would be an advantage to the country, I take it, to let them supply; that is what you mean?—Yes.

3627. But there were no oats in the country to buy. Why should that come under the purview of the general practice?—Oats could be imported.

3628. All the oats you required had to be imported into the country in the case of South Africa?—It was, as I understand, to give the local merchants business; at least, that was my idea; I do not know if I was wrong.

3629. Was there any correspondence between you and the Department in regard to those contracts?—Only that telegraphic correspondence which I think you have seen—the recommendation from Lord Kitchener that local contracts should be made.

3630. Was your opinion as Director of Contracts asked at all upon that?—I think it was.

3631. And you thought it would be a good thing?—Not a good thing, but there were arguments in favour of making local contracts for troops in a foreign command.

3632. The only argument I have been able to gather so far as I can understand, is that the local traders would make a profit. When you were informed that Lord Kitchener thought it was desirable to make these contracts locally, did you state that you thought you could supply cheaper?—It is more than two years ago now, and since I retired I have rather tried to dismiss the contract questions from my mind, and I could not say without looking at the papers whether the

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*Mr. *Goddard*—*continued.*

the Contract Branch did say on paper that we could do it cheaper or not.

3633. You were Director of Contracts when the contract was made at 17s. 11½d. per 100 lbs. ?—Yes, I think I was.

3634. When this price was brought to your notice, as I understand it was, did you give any information and did you say it was a high price and you could have supplied it cheaper ?—No, I did not at that time. It did not come in until we supposed the greater part of the supplies were consumed; that point did not come into consideration until the 1st of January, and I do not suppose it reached me till two or three months afterwards.

3635. But the tenders were put out much earlier, were they not, I think in September ?—In November, I think; some time at the end of November. I do not think the tenders would come to me probably until some time in the beginning of the following year.

3636. What was the object of sending them to you at all except to get an opinion upon the contract ?—We did give an opinion upon the price.

3637. I understand you to say you think you could have supplied cheaper; that is your opinion now, is it ?—That is another matter.

3638. You thought then it was not a bad price ?—It was very difficult to compare the prices. When we were supplying oats to South Africa, we were buying 40,000 to 50,000 tons a month, and when the force in South Africa was very largely reduced, I do not know at what price we could have bought them—at some increased price or it might have been cheaper—I cannot tell. But there was no actual comparison.

Sir *Brampton Gordon.*

3639. Can you give us any idea what the average price for oats was that you were paying in England during the war ?—I thought it was about 22s. to 23s. a quarter.

3640. Was that the price in England ?—I am speaking of the price of 22s. to 23s. as being the price for purchases all over the world; that was about the average price for delivery in South Africa.

3641. That is 22s. or 23s. a quarter, of say 320 lbs. ?—Therefore taking this sale by itself, considering we were only paying about 6s. per 100 lbs. here, this sale at 11s. per 100 lbs., that is to say, something like 38s. a quarter, appears to be a very good sale.

3642. I see that. The only extraordinary thing is the ridiculous price that was paid afterwards when we bought them again. The 11s. does seem to me to be a very fair price ?—It was a very fair price.

Sir *Frederick Banbury.*

3643. I understood you to say in answer to an honourable Member just now that contracts were made locally because it was thought advisable to give business to contractors; has it been the

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ARMY APPROPRIATION ACCOUNT, 1903-1904.

Store Accounts of the Army—*continued.*Sir *Frederick Banbury*—*continued.*

policy of the Director of Contracts to spend money to give business to contractors ?—The rule has been in foreign commands that the troops should be supplied locally with supplies that the command furnished.

3644. Irrespective of cost ?—No, I do not go to that extent.

Chairman.

3645. (To Sir *Fleetwood Wilson*). You were financial adviser to Lord Kitchener, were you not ?—I was financial adviser in 1901 to Lord Kitchener.

3646. Will you tell us what was the financial system in connection with contracts which was established in 1901 ?—There was no financial system in connection with contracts of any special character in South Africa until I got there; then Lord Kitchener represented to me his anxiety in connection with the very heavy expenditure of public money which was going on, and he was most anxious that I should assist him in elaborating some system which would be a check on contracts. I had for some time previously felt very strongly that the weak point of the contract system at home was a lack of correlation between the Finance and the Contract and the Supply Branches. It appeared to me that whilst the duty of the Director of Contracts was to see that contracts were carried out in a business-like fashion, he would not approach the contract work from the point of view of a close financial scrutiny; and I think we have had evidence that that was the case; at any rate that is my impression. I accordingly suggested to Lord Kitchener that in South Africa (where at the time, in 1901, I was Financial Adviser) a system should be instituted with a view to establishing a better check upon local expenditure, and that no contract for supply services extending over a period, and involving an expenditure exceeding 1,000*l.* a month, could be concluded without previous reference to the Financial Adviser to the Commander-in-Chief to be made through the Director of Supplies at Headquarters at Pretoria. As to the necessity for fixing so high a price, I may say originally I had suggested 200*l.* as the limit; but I explained to Lord Kitchener that the volume of the work and the figures they were dealing with were both so great that if a low figure were fixed the Financial Adviser's office out there would (as many offices are at home) be swamped in detail, and lose sight of large and more serious figures. We therefore raised the limit from £200 to £1,000. You will find in my Reports a Circular memorandum. My reports were published as an Appendix to the Royal Commission on the War in South Africa presided over by Lord Elgin. You will find there at page 305 a circular memorandum which was issued in connection with contracts, and which

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which laid the foundation for a financial review of and check on contracts which came into operation during the short time I was in South Africa and answerable for the Financial Advisers' work (of which post I was the first holder); and the evidence of Colonel Armstrong, who succeeded me as Financial Adviser, as given before the War Commission, shows that the practice was carried on. In my opinion, it was a satisfactory check on contracts. I started it, and it was in full operation when I left, and apparently it was continued at any rate for some time by Colonel Armstrong, who as I say succeeded me. Of course I cannot speak as to what took place after I left; but whilst I was there the system was inaugurated of having a financial check on contracts. That is practically the foundation of the check which has taken place at the War Office since Lord Esher's Committee reported, the view having been adopted by Mr. Arnold Foster and the Government generally. I suppose that it would be a good thing to have even a more close financial review of contracts. The Office of Director of Contracts was abolished, and his staff was divided between the two great buying departments of the Army, the Quartermaster-General and the Master-General of Ordnance,

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Store Accounts of the Army—*continued.**Chairman—continued.*

they being the two purchasing members of the Army Council. The financial review of contracts is carried on by me as Director of Finance. The foundation of the system was very much what was laid down by me in South Africa and which operated whilst I was there.

3647. After you left, you say Colonel Armstrong took up your duties?—Colonel Armstrong succeeded me and so far as I read his evidence I think it shows that no change was made.

3648. When did he come away?—I think he came away very shortly after Lord Kitchener left.

3649. Was he succeeded by any financial adviser?—I lost touch altogether with South African affairs when I came home, and I hardly know the sequence of events; but I think he was the second and the last financial adviser.

3650. At the time these contracts were made there was no Financial Adviser to the General in the field?—No; I think the contracts were made after Colonel Armstrong had given up his appointment, and I do not know of any successor.

Chairman.] Perhaps Sir Frank Marzials could tell us about this.

Sir FRANK T. MARZIALS, C.B., called in; and Examined

Chairman.

3651. Do you know if there was any Financial Adviser to General Sir Neville Lyttelton at the time these contracts were made?—I think there was no Financial Adviser after Colonel Armstrong left. My recollection is that General Lyttelton said he did not want any Financial Adviser.

3652. But since that the system has been adopted of always having a Financial Agent or Officer with the General in the field?—That would be after I left.

3653. What is the practice now; is it that men who are with the Generals of Divisions at home are being trained up to fill that position with the General in the field?—That is so.

3654. (To Sir Guy Fleetwood Wilson): It seems rather a serious matter that there was no Financial Adviser with the General in the field at the time these contracts were entered into?—I will limit myself to saying this, that in my opinion (I give it for what it is worth, and I think I ought to say this in fairness to Lord Kitchener), if that system which Lord Kitchener introduced had been operative, I do not see how these transactions, if exception can be taken to them (which I do not say because the matter is *sub judice*), could have escaped notice and could have escaped question.

3655. They must have been reviewed by the

Chairman—continued.

Financial Adviser to the General in the field?—They must have gone to the Financial Adviser, and he must have reported upon them.

Sir Robert Mowbray.

3656. When did Colonel Armstrong come back?—A very short time after Lord Kitchener went away.

3657. He was Financial Adviser at the time the change took place as between Lord Kitchener and Sir Neville Lyttelton?—I believe so, but I would rather not go into any further details, because so much hangs upon that point.

3658. But that is a question of fact, I suppose, as to the date?—(Sir Frank Marzials)—You could easily be supplied with the date when Major Armstrong came home.*

Chairman.

3659. You could ascertain the date?—Yes, perfectly.*

Mr. Buchanan.

3660. Why was no successor appointed?—My impression is that Sir Neville Lyttelton said he did not require the services of a Financial Adviser.

3661. When was that communication made?—That

* See note on p. 247.

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Mr. Buchanan—continued.

—That communication would be made, I presume, shortly after Lord Kitchener came away, which would be in July or August, 1902.*

3662. And it was assented to by the War Office?—It was accepted by the War Office.

3663. But Colonel Armstrong held this post, did he not, when the new system was first introduced by Lord Kitchener?—(Sir Guy Fleetwood Wilson). He succeeded me.

3664. He was still there in June, 1902?—(Sir Frank Marzials). Yes.* I should like to add this. The existence of a Financial Adviser was, of course, merely a temporary war arrangement. It did not form part of the normal arrangements, either in peace time or for an Army in the field. Consequently it was quite possible that General Lyttelton did not think a Financial Adviser necessary, because active operations had ceased.

Chairman.

3665. Do you remember there being any pressure from the War Office to bring back the Army Service Corps men?—That did not come before us as a financial question. It was treated as a question of administration. It was hoped, as has been explained to you, that by bringing home the Army Service Corps men, they would be able to save expenditure in South Africa to a certain extent, to meet whatever additional expenditure there was for the Contracts. May I also explain a point which has not been brought out to you. I think naturally the men of the Army Service Corps were desirous of coming home; a good many of them were Reservists, and

Chairman—continued.

there was a desire on the part of the War Office, to relieve them as soon as might be.

3666. Also there was a desire of the War Office to relieve those men who were being taken on specially while they were in South Africa?—Certainly. The wage expenditure at that time in South Africa was very large, and obviously we wanted to reduce it in every way, we wanted to reduce the expenditure in the charge of horses, in the charge of transport, and in charge of supplies.

3667. But surely you would represent that to the General in the field, would you not?—Quite so.

Mr. Cohen.

3668. Can you tell us whether the War Office knew of the system of dual sale and purchase to the same man, of the same stuff, at the same time, which would result from the withdrawal of the Army Service Corps when they sanctioned it?—That was not known at the War Office, so far as I am aware, at the time when the change was made, either when the contract was made for the supply to contractors or for the purchase from contractors of supplies issued to them. The information did not come to the War Office in any form, I think, for some months.

3669. And, therefore, if the War Office did not have the information it is impossible their judgment could have been affected by the results which ensued from that, because they did not know the fact?—We had not the knowledge.

* With regard to questions 3658, 3659, 3661 and 3664, I find that Major Armstrong left South Africa on the 15th April, 1903. So far as I have been able to ascertain, what happened was this: Lord Kitchener commanded the troops in the whole of South Africa, and Major Armstrong acted as his Financial Adviser. When Lord Kitchener left, the command was divided into three independent commands (Pretoria, Cape Town, Natal), and Major Armstrong does not appear to have been attached as Financial Adviser to any one of them, but devoted himself to clearing up the various matters with which he had been dealing before Lord Kitchener's departure. In October, 1902, he communicated with the War Office direct—not through one of the three General Officers in command—explaining his position, and asking for instructions. The letter was referred to General Lyttelton, who replied that he had consulted with the Officers in command at the Cape and Natal, and that, in their joint opinion, a Financial Adviser was unnecessary. They probably—but as to this I cannot of course speak with certainty—held the appointment to be a War appointment only. The War Office accepted the local view.

12 July 1905.

FRANK T. MARZIALS.

Wednesday, 12 July 1905.

MEMBERS PRESENT :

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Victor Cavendish.
Mr. Cohen.
Sir Brampton Gurdon.

Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

LOCAL LOANS FUND.

ACCOUNTS 1903-1904.

MR. ROBERT CHALMERS, C.B., MR. J. A. KEMPE, C.B., MR. H. J. GIBSON, C.B., MR. WILLIAM BLAIN, called in; and Examined.

Chairman.

3670. (*To Mr. Blain*) If you will look at paragraph 1 of the Report of the Comptroller and Auditor-General you will see that the total amount of the loans advanced to the Lending Departments in the year 1903-4 was 7,161,727*l.*, being more by half a million than the amount advanced in 1902-03; and, on the other hand, there was repaid during the year 2,634,271*l.*—does that mean that the amount outstanding has increased in consequence of those operations?—Yes, it has increased by the difference between those two amounts.

3671. Then in paragraph 12, I observe that the Bonds were 9,200,000*l.*; but 2,700,000*l.* expired during the year, so that the outstanding Bonds on the 31st March, 1904, were 6,500,000*l.* Is that so?—That is so, they have all since been paid off.

3672. I understand the Carrickfergus matter, which is referred to in paragraph 17, is about to be settled by the Urban Council selling part of the corporate property; therefore they hope to discharge the whole of that loan, do they not?—That is so.

3673. With regard to paragraphs 22 and 23, I see the sums are comparatively small as regards arrears upon loans to tenants, both under the Land Acts of 1870 and the Act of 1881?—Yes.

3674. The figures in regard to arrears under the Land Act, 1870, show a decrease?—That is so.

Sir Frederick Banbury.

3675. In paragraph 14 of the Comptroller and Auditor-General's Report he says that the amount in arrear of principal was 46,456*l.*, and the interest in arrear 14,929*l.* on the 31st March, 1903, in the case of England. Is their any prospect of recovering that interest and that princi-

Sir Frederick Banbury—continued.

pal?—The cases where those arrears arise are chiefly cases of harbour loans. The principal one is Falmouth Docks, where a loan was advanced under the Harbours Act, 1861, very shortly after the passing of the Act, and the loan proved a failure; they could not repay the money, and the Public Works Loan Board took possession of the docks and have worked them themselves ever since. They have paid off about half the principal and a good deal of the interest in that time, and it is not doing badly under their management.

3676. Then there is some chance that there may be some further recovery of arrears?—I think so.

3676.* There is a slight decrease for the year in question?—Yes, in the arrears of interest there is.

3677. Looking at paragraph 15, Ireland appears to be in a very bad way. There appears to be an amount of principal overdue of 185,000*l.* on the 31st March, 1904, which is an increase of 5,464*l.* on the previous year; is there any chance of recovering any of that, or is it likely to continue to increase?—As regards some of these Irish loans, I am afraid the chance of full recovery is remote. There are several railway loans.

3678. The paragraph I am dealing with is before we come to railway loans?—The railway loans are included in those totals which the Honourable Member is referring to now.

3679. I pointed out that in the case of England there seemed to be a slight decrease in the arrears of interest; in the case of Ireland there seems to be no improvement, but rather the contrary; it seems to be increasing there every year?—Not every year, I think; it fluctuates. If you went back ten years, you would find that the arrears of these

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Mr. BLAIN, C.B.

[Continued.]

LOCAL LOANS FUND.

Accounts 1903-1904—continued.

Sir Frederick Banbury—continued.

these loans in Ireland were twice as heavy as now. I must not be understood as representing that as all improvement, because some of the loans have been recognised as being irrecoverable and have been written off, but the account shows now much less arrears than ten years ago.

3680. Are the Treasury a little more careful about advancing money to Ireland in view of what has happened?—These are all old loans. These railway loans were all made in the early eighties, or earlier than that.

3681. You do not advance money now for railways?—There is only one railway loan now in progress; the recent policy has been for the Government to build railways in Ireland, rather than lend money for them.

Mr. Pym.

3682. With regard to that increase of 546*l.*, what is that from?—The detail of it, or most of it is shown in paragraph 16; it mostly arises on these railways. It all depends upon the results of the particular years' working of the railways. In some years these railways yield enough to pay the current expenses and a little more to pay off the debt. In other years the earnings do not even suffice to cover the expenses.

3683. But that would not add to the loan?—It adds to the amount in arrear, because they are supposed to pay off annually so much, and if they do not pay off the amount due each year, it increases the amount in arrear. A certain instalment is due to be paid off every year. If it is not paid off in the year in which it is due, the outstanding arrears become so much larger.

3684. Surely that cannot be so in the matter of capital. Supposing 179,000*l.* is owing on the 31st March, 1903; because they did not pay off what they were expected to do from the capital sum, you cannot add on this 5,000*l.* to the total capital overdue, and make it 5,000*l.* more, can you?—Yes. As regards that figure of 179,000*l.*, it is not 179,000*l.* that is owing, but some nine millions that is owing on the total account. But the amount due to be repaid on or before this particular day, and which had not then been repaid, was 179,000*l.* In the following year 5,000*l.* more which was due to be repaid had not been repaid, and therefore the arrears are increased by 5,000*l.*

Mr. Cohen.

3685. The interest is a separate account?—The interest is kept in a separate account.

Mr. Pym.

3686. There is a capital sum of 179,000*l.*, taking the figure you have there, owing?—Owing and overdue.

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LOCAL LOANS FUND.

Accounts 1903-1904—continued.

Mr. Pym—continued.

3687. Quite so. Then if there is an undertaking on behalf of the railway company or whoever it is, to pay off 5,000*l.*, and they do not pay it off, the loan stands as it was originally at 179,000*l.* I do not see how you can add to that 179,000*l.* the amount of 5,000*l.* which they propose to pay off, which would reduce it by 5,000*l.*, and make it increase the arrears of capital to that extent?—The position is this: The amount that was owing on all these loans was, in round figures, about nine millions, of which 179,000*l.* was due to be repaid, but had not been repaid on the 31st March, 1903; the rest was owing also, but it was not due to be repaid, because the repayment of these loans is provided to take place over varying periods up to 50 years. The great bulk of the outstanding debt was not yet due to be repaid.

3688. Anyhow; if that sum had been repaid it would reduce that figure of 179,000*l.* to 174,000*l.*, would it?—No, if that had been repaid the 179,000*l.* would remain unaltered.

Sir Brampton Gurdon.

3689. In regard to paragraph six of the Comptroller and Auditor-General's Report, 445,614*l.* is the balance you keep in hand for current wants, is it not?—On the 31st March, 1904, it was the balance in hand.

3690. The uninvested balance?—Yes.

3691. You do not think it is too large a balance for your day to day requirements?—The National Debt Commissioners have the control of this account; I am certain they do not keep a larger cash balance than they think necessary. At the particular moment it might be large, because some investment might have been paid off, and they had not had time to reinvest the money.

Mr. Gibson Bowles.

3692. It was even larger at the beginning of the year under review; it was half a million?—Yes, it was half a million at the beginning of the year.

3693. Does that produce any interest?—No, that would all be cash in the hands of the National Debt Commissioners at the time. It would be included in their cash balance at the Bank of England.

Chairman.

3694. (To Mr. Kempe.) You propose to render these accounts in a somewhat more condensed form next year, do you not?—I propose to condense the last two pages of my Report into a table.

(Mr. Blain withdrew.)

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3695. You

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., and Mr. GIBSON, C.B.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Mr. GORDON W. MILLER, C.B., called in; and Examined.

Chairman.

3695 You are the Accountant-General of the Navy?—Yes, I have been so since June, 1904.

Chairman—continued.

3696. You succeeded Sir Richard Awdry?—Yes.

ABSTRACT APPROPRIATION ACCOUNT, 1903-04.

Chairman.

3697. The expenditure provided by the Estimates and a Supplementary Estimate for the year under review was 37,144,841l.?—That is so.

3698. The actual expenditure was 37,242,791l. 15s. 5d. There was therefore an excess over the grant of 97,950l. 15s. 5d.?—That is so.

3699. For that a Vote will be required?—That is so.

3700. Then the excess expenditure has been defrayed out of excess receipts on Appropriations in Aid of 115,974l. 0s. 6d.?—Yes.

3701. And the balance of 18,023l. 5s. 1d. not surplus will be surrendered to the Exchequer?—Yes.

ON VOTE A.—NUMBERS VOTED AND BORNE.

Chairman.

3702. The number of all ranks in Vote A has increased by 4,373 as compared with the estimate for 1902-3?—Yes.

3703. But there was an increase the year before?—There was an increase the year before.

3704. Was there an increase the year after this also?—Yes, there was an increase in 1904-5.

3705. Then you did not recruit up to the full strength, did you, except in the last quarter?—No. The numbers were rather more than we anticipated in the course of the year. In the last quarter we recruited to the extent of 1,136 more than the numbers voted. That was in view of the fact that the numbers would be increased in the following year.

ON VOTE I.—WAGES, ETC.

Chairman.

3706. With regard to that, if you will turn to Vote I, and look at Sub-head A, you will see there is an explanation given. There is an excess expenditure of 34,541l., which is a very large excess?—Yes.

3707. But the explanation given there does not seem to me to be the real explanation at all. The numbers borne were not in excess of those voted except in the last quarter?—That is so, but in providing for an increase the amount taken in

Chairman—continued.

the Vote represents the cost of half the number that it is proposed to increase in the course of the year, because it is generally anticipated that the entries will be spread over the whole period of the year. Those in the earlier quarters would cost more than those who entered later.

3708. But the real explanation of this increase in wages is to be found on page 123, I think, where the explanation says, "Numbers in the Fleet recruited more rapidly than anticipated. Re-organisation of Coast Guard Districts, and increase in pay of Chief Officers, Extension of the Grant of South African Gratuity, and arrears of the increase of 2d. a day to Royal Marines." That is the real reason of the excess expenditure, as it appears to me?—That would not affect sub-head A. Those are dealt with under the Coast Guard Sub-head (Sub-head B), and the Marine Divisions Sub-heads (Sub-heads D to G.)

3709. They are all causes of excesses on Vote I?—Yes, they are all causes of excess on Vote I. Perhaps I might make the explanation a little clearer. The actual increase that was contemplated during the year was 4,373; but at the close of the previous year there was an excess of 1,906, and those came into the new year, and were there during the whole period thereof. In the ordinary course, had recruiting been spread over the whole year, for the quarter of the year ending June, 1903, we should have had less than the total number of 3,282 (that is, the full number less a quarter), whereas we had 2,811 less; up to the 25th September we should have had less 2,185, whereas we had less 1,309, in the third quarter we should have had less 1,097, whereas we only had less 508, and in the final quarter there was an excess of 1,136. Those additional men in the earlier quarters of the year occasioned additional expense in wages, which resulted in the expenditure being more than the grant by 34,541l.

3710. Then taking the Marines, the deficit is 5,247, and it is suggested that the increase of 2d. a day to the Marines caused it; but that was sanctioned on the 19th November, 1902; did you not foresee there would be that increased pay?—That is accounted for by some arrears of payment having been made during that year, which brought about that excess.

3711. You did not estimate for them?—No; they

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[Continued.]

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote I.—Wages, etc.—*continued.**Chairman*—*continued.*

they were not estimated for, they were not anticipated at the time the estimate was prepared.

3712. Taking the sub-head "Special Gratuity for Service in South Africa," on which there is an excess of 6,950*l.*, that was in order to give the men out there, even the men at St. Helena, a certain gratuity, I think it was 2*l.* a man, and a medal; that is, to those who were serving between the 9th March, 1901, to the 31st May, 1902?—That was so.

3713. But that you did not anticipate?—It was not anticipated. That action depended upon that taken by the War Office in regard to the troops.

3714. It was given to those men because it was given to the Army?—Quite so.

Mr. Cohen.

3715. When you spoke of "arrears of pay," by whom were those arrears due—who was it who was in arrear; was it the Admiralty?—The Order in Council having been dated November

Sir HENRY F. R. YORKE, K.C.B., called in; and Examined.

Chairman.

3719. Would you explain what this revised scale of victualling was which is referred to in paragraph 4?—A change was made after consideration by a Committee on Rations for the Navy, and it was decided eventually that the new rations should be introduced on the 1st of October, 1903. There were certain articles added. It was necessary in the first place, of course, that these new rations should be issued to commence on the same day all over the world, and it was necessary to lay in stocks of those articles. As the Committee are aware, the men have the right to take up or leave behind their rations; and it therefore became necessary to make a calculation as to what they would probably leave behind. We took the greatest possible pains at the Admiralty to arrive at that, but we over-estimated the amount they would take up.

3720. You say you over-estimated the amount they would take up—that is to say, the men took much less than you expected?—They took up considerably less than we expected, and received savings instead; this naturally resulted in there being at the end of the year an excess stock, which, of course, is adjusted in the next year. But it was an extremely difficult thing to arrive at, as the Committee will understand.

3721. At what date did you say that took
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ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote I.—Wages, etc.—*continued.**Mr. Cohen*—*continued.*

1902, it was not possible to make arrangements for all payments to be made before the close of the financial year.

716. These payments which are due by the Admiralty are generally made as soon as they are due, are they not—the Admiralty is not in arrears as a rule?—No.

3717. This is due to a liability incurred at a period of the year too late to be included in the Estimates?—Yes.

ON VOTE 2.

VICTUALLING AND CLOTHING.

Chairman.

3718. (To Mr. Gordon Miller.) Could you tell us anything about this revised scale of victualling which seems to have altered this estimate a good deal?—The Director of Victualling is present, and perhaps I may be permitted to suggest that he could give you full information on that point.

Chairman—*continued.*

place?—The 1st of October, 1903, was the date when the new ration commenced.

3722. As is observed by the Comptroller and Auditor-General, you expected under Sub-head G to have a surplus of 4,950*l.*?—We did.

3723. But instead of that you have a deficit of 34,655*l.*?—That is perfectly true. The explanation is this. Many of these articles are purchased locally abroad, and, of course, we cannot get information as to what happens in the last months of the year in time to be of any use to us. We went upon what the amount had been in the first six months of the year, and we thought that we might reasonably assume that the amount would be rather less in the last six months. But we found on the contrary that more and not less was bought in the last six months, with the result that it upset our sub-head to that extent.

3724. You could not anticipate that?—We could not anticipate that. When we found our estimate of savings at home was wrong, we did what we could to stop the purchases, and we did that to the extent of about 20,000*l.*

3725. But does the same cause account also for this great excess upon Sub-head H, "Savings"?—As regards Sub-head H, "Savings," nearly all of that is due to the new rations, but not entirely.

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3726. These

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[Continued.]

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote 2.—Victualling and Clothing—
*continued.**Chairman*—continued.

3726. These are the sums you paid to the men?—Yes. That is increasing; the men are taking up more savings.

3727. How were you able to stop purchases to the extent of 20,000*l.*?—That was in regard to the purchases of certain things that we had not completed, in England. There were sugar and certain things which we buy through brokers which we had not completed the purchase of, and which we were able to stop.

3728. Then with regard to Sub-head I, "Excess cost of rations, etc., to Royal Marines on shore," were there a greater number of Marines on shore, or was that due to the same cause as the other?—There were more Marines on shore.

3729. And did they choose savings instead?—No, the Marines on shore do not have savings. The numbers borne were greater than were provided for. We had estimated for 7,800 and there were actually borne 8,400, that was an increase of 600. That accounts for 3,900*l.*, and the higher price for the provisions amounted to 4,200*l.*—that makes up practically the figure shown there of 8,140*l.*

Mr. Gibson Bowles.

3730. I understand you introduced a new scale of victualling on the 1st of October, 1903?—That is so.

3731. That is with a view to meeting more amply the requirements of the men, I presume?—That is so.

3732. You thought you would content them better?—Yes.

3733. Does that include the baking of bread?—No, baking bread is being tried, but that does not cause any additional cost; it does not affect the question of money.

3734. You know that the men threw the bread overboard?—I have heard this very often.

3735. I have seen it myself?—And you know also probably that bluejackets are a very curious lot; it is very difficult to know what makes them do things.

3736. You tell us you have introduced this new system of rations in order that it may be more agreeable to the men; but at the same time you tell us they have taken up more savings—in other words they take up more money instead of the rations provided by the Government?—That is so.

3737. Does not that suggest to you that the new system of rations is not quite a success?—It does, and I may add I have put before the Board a proposition on the subject of rations and savings, because it seems to me the time has arrived when the matter should be dealt with, and that proposition is before the Board now.

3738. Then I am afraid we must conclude that the new revision of rations has not been quite successful?—I think, speaking broadly,

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote 2.—Victualling and Clothing—
*continued.**Mr. Gibson Bowles*—continued.

the men have simply regarded it as giving them additional savings.

Chairman.

3739. Did they not have the power of option before?—They did, but not of course for the new rations.

Mr. Gibson Bowles.

3740. Do I understand that it is due to this: The new rations are of greater value, and consequently when a man has eaten what he must have out of them it leaves him a greater margin of savings to take up?—When you use the expression "value," do you mean money value?

3741. Yes, I mean money value?—We only pay them three-quarters of the money value.

3742. That would still leave my suggestion intact. You will understand I am asking for information. It appears very strange to me that with the improved rations they should take less of them, and more money instead of them. It rather suggests to my mind that perhaps the rations represent an increased amount of money, and consequently an increased amount of money figures in the savings they take up in lieu of them?—When I spoke of improved rations, I meant additional rations: I did not mean improved articles. They have got these things which they may take up if they like, but instead of that they prefer to get three-quarters of the value, and to buy in many cases the same articles, and sometimes very inferior articles.

3743. From the canteen or on shore?—From the canteen or on shore. One of those things would be jam.

3744. And Beecham's Pills?—They do buy a lot of things.

3745. Then I may take it we shall hear more of this revised scale of victualling?—I think so, certainly.

3746. It will be reconsidered?—The matter is being considered.

Mr. Herbert Lewis.

3747. What is the difference between the new rations and the old rations?—The new articles are jam, coffee, compressed vegetables, preserved meat for the supper ration (which they had not before) and condensed milk. On all those five articles, with the exception of condensed milk, they can take savings.

3748. Are those additional to the old rations?—Those are all additions. Then the articles which had been added to in the existing rations are tea, sugar, and fresh vegetables, and slight reductions have been made in chocolate, salt pork, and salt beef.

3749. Then the additions are rather in the nature of luxuries, which, therefore, the men can do without more easily; do you account for the additional savings on that ground?—No, I account

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[Continued.]

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote 2.—Victualling and Clothing—
*continued.**Mr. Herbert Lewis*—continued.

account for the additional savings simply from the fact that the men prefer very much to manage their own business, and as long as they have the option of taking up as much savings as they like, so they will go on increasing the savings. That is my opinion. It has been so in the past, and I think it will go on.

3750. They like to buy their food independently?—They like to buy their food independently.

Chairman.

3751. With regard to the last note at the bottom of page 17, does that mean that you have revised the stocks. This large increase of value on the 31st March, 1904, is, I presume, in consequence of these stocks, which you say you bought for the new system of victualling?—Yes; very largely.

3752. Then the note says: "The necessary adjustments in stocks have been made in the following year?—Yes. In the following year, as a matter of fact, we reduced the amount on Sub-head G, "Provisions," about 150,000*l.*

3753-4. I observe on Sub-head R there is an under-expenditure of 14,000*l.* Is that because you were employing less contractors?—No, it is not due to that; it is that the work was rather more behindhand than we anticipated. The vessels were being built by contract; but we took a larger sum than turned out to be in fact payable in this year; the money was not earned and therefore it was not paid. The progress of work on the ships was not so rapid as was anticipated.

(Sir Henry Yorke withdrew.)

ON VOTE 4.—MARTIAL LAW.

Mr. Gibson Bowles.

3755. (To Mr. Gordon Miller). Are you to be participators in the services of the new Judge-Advocate-General?—Not that I am aware of.

3756. Have you in the Navy an officer corresponding to the Judge-Advocate-General, who reviews the the findings of courts-martial?—Yes.

3757. What is that officer?—The position is Judge-Advocate of the Fleet. He deals with all matters connected with naval law.

3758. There is no alteration to be made in your system as to that?—None is contemplated.

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ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

ON VOTE 6.—SCIENTIFIC SERVICES.

HYDROGRAPHICAL DEPARTMENT.

Chairman.

3759. I observe there was a great demand for charts in the Navy this year. That I suppose accounts for the excess of 2,655*l.* on Sub-head F?—Yes, that is the "Expenses of preparing charts."

3760. But looking at the Appropriations in Aid I observe you did not sell more charts, at least not much more?—We did not sell any more in that year.

3761. They were for the use of the Navy itself, I suppose?—Yes, mostly.

Mr. Gibson Bowles.

3762. It is rather remarkable that the expense of preparing them should have been so much larger than was anticipated. Did you do more surveys?—No, the excess is mainly due to the large expenditure of printing and mounting to meet the requirements of the Fleet. In other words they were increasing the stock of charts.

3763. But it is an immense sum in addition, because, you see, you took a grant of 23,300*l.* for that sub-head?—Yes.

3764. This is 10 per cent. more; could you not have estimated it nearer than that?—The number of charts required must be left to the discretion of the Hydrographer. I think possibly (had the requirements been foreseen) a closer estimate might have been prepared, but I do not think there is any doubt that these charts were required.

3765. What makes it important is that the whole of this large increase is due, not to the preparation of charts, but to printing and mounting?—Yes.

Mr. Cohen.

3766. Are any of these charts sold by the Admiralty?—They are sold by an agent at certain prices which are not remunerative to the Admiralty; but the necessity for selling at cheap prices is to ensure that merchant ships of all classes can keep themselves supplied with up-to-date charts.

3767. But there was not any greater demand for them than usual in this year. The extra expenditure was due to the greater use being made of them by the Admiralty itself?—That is the hydrographer's explanation.

Chairman.

3768. I see you charge the chart boxes to the following sub-head; you do not include them in the expenses of preparing the charts?—That is so.

3769. Is that always done?—Yes, always.

3770. With

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Mr. MILLER, C.B.

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.
ON VOTE 7.—ROYAL NAVAL RESERVES.

Chairman.

3770. With regard to Sub-head BB, I think this is the first time the Sub-head "Royal Naval Volunteers" appears?—It is so. This Reserve was established in the year 1903-4.

3771. Is there any limit to their number?—No, except the discretion of the Admiralty.

Mr. Gibson Bowles.

3772. Is there not a limit to the number of the Royal Naval Reserve?—There is no limit to the number of the Royal Naval Reserve. There were limits, but the limits as regards the numbers of the Royal Naval Reserve and the Royal Fleet Reserve were removed by Section 5 of the Naval Forces Act, 1903.

Chairman.

3773. With regard to the Royal Fleet Reserve Sub-head B, you will observe that there is an under-expenditure of 10,000*l.* This is no by means the first time that has happened; I do not know what the reason is, but there has several times been an under-expenditure of 10,000*l.* on that sub-head; do you not think this Estimate could be reduced?—It seems to have been over-estimated in this particular year.

3774. And in years before also?—The arrangements as to the Royal Fleet Reserve are under the consideration of the Admiralty at the present time.

Mr. Gibson Bowles.

3775. Is it not the fact that you have not been able to get the men?—That is so; the men did not volunteer during 1903-4 to pass into the Fleet Reserve as rapidly as was anticipated.

Chairman.

3776. This sub-head has been for several years 10,000*l.* in excess; we want to know whether it cannot be reduced; will you undertake to bring the question of this estimate before the Lords of the Admiralty?—Certainly I will do so.

3776.* The other reserve, namely, the Royal Naval Reserve, is well up to strength, is it not?—Yes.

Mr. Gibson Bowles.

3777. The Royal Naval Reserve is to some extent in the same condition as the Royal Fleet Reserve; you have not spent all your grant on it, have you?—Not all; we have not spent 2,995*l.* out of a grant of 245,328*l.*

3778. Is not that because you stopped recruiting for the Royal Naval Reserve?—It was not stopped in that year.

3779. Possibly not, but it is stopped now, is it not, or it was in December last?—It was stopped at that time because sufficient numbers had been entered.

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.
On Vote 7.—Royal Naval Reserves—*continued.*

Mr. Gibson Bowles—continued.

3780. Now about the Royal Naval Volunteers. I observe that is the only item upon which you spent more than was granted?—It was the first year in which this sub-head of the Royal Naval Volunteers appeared; they were introduced in that year—1903-4—and no provision was made in the Estimates.

3781. To a person looking at this account it would suggest that you meant to replace the Royal Naval Reserve and the Royal Fleet Reserve by the Royal Naval Volunteers; I suppose that is not so, is it?—I do not think there was any intention in that direction. The Royal Naval Volunteers is intended to be a separate force altogether, under totally different conditions.

ON VOTE 8.

SHIPBUILDING, ETC.—I.—PERSONNEL.

Sir Frederick Banbury.

3782. I see there is a remark in paragraph 7 of the Comptroller and Auditor-General's Report that at Pembroke Dockyard "certain teams of horses were employed in the work of transporting timber and carting chips for a much longer period than was found necessary for similar items of work at other dockyards." Turning to the letter on page 194, which is referred to, I see it says in this case they were employed for 110 days at five and a-half days to the week; has any step been taken to remedy that?—Yes; when the Comptroller and Auditor-General drew attention to this point, the attention of the Superintendent of the Yard was drawn to this apparent irregularity, and arrangements were made to prevent it in future.

3783. I see the explanation on page 194 is, "The length of time occupied on this service is not considered excessive considering the system in vogue at Pembroke at the period to which the query relates"—That is because the system was not altogether satisfactory.

3784. Apparently it would not have been altered unless the Comptroller and Auditor-General had called attention to it?—It bears that appearance certainly.

3785. I hope that sometimes the Superintendent does take a little interest in these measures himself?—Yes, he does. It was a detail which did not come to his notice.

3786. (To Mr. Kempe) It seems to have gone on for a long time?—Yes, so far as I know it seems to have on for some time. (Mr. Gordon Miller.) If I may say so, I think most of the Superintendents are very vigilant in trying to deal with matters of this sort, but it is very difficult for them to control such details.

3787. It is rather an important thing, because economical working depends upon little things, does it not?—Absolutely

3788. Now

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[Continued.]

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On Vote 8.—Shipbuilding, etc.—I.—Personnel.
—continued.

Chairman.

3788. Now you are making some arrangement for bringing the place where the timber is stacked nearer to the ships at Pembroke, is not that so?—That is so; and with the view to decreasing the cost of this operation in future, arrangements will be made at Pembroke when space becomes available to stack the timber in closer proximity to the mills.

3789. This sum of 132,000*l.* realised from sales of old stores is quite an exceptionally large amount, is it not?—Yes, it is an unusual amount.

3790. Does it include the sale of old ships, which I see is estimated at 99,000*l.*?—No; it is a separate transaction from the sale of the ships.

3791. The ships that were sold are ships that were condemned?—Those ships that were sold were condemned. They were sold by auction. The excess on stores is principally due to the sale of arisings—that is, old metal and old machinery—returned from ships under repair by contract. Owing to congestion in the Dockyards in connection with new construction and other work, a large number of ships were sent to contractors' yards to repair. The old arisings from those ships—that is, the old metal and old machinery, etc.—were sold and brought to account under this heading.

Sir Brampton Gordon.

3792. These ships which are set out in paragraph 8 were sold during the year?—Yes.

3793. Would it not be better to break them up yourselves and sell them?—No, they occupy too much space in the docks—that is the chief reason.

Mr. Cohen.

3794. You spoke of some ships undergoing repairs; had those ships which were sold been ordered to be repaired?—No; it was in regard to the old stores that I referred to in the case of ships under repair. There were two sets of these ships: some were sent to private yards to be repaired and put in order, and the old machinery and stores which came from them were sold, and the value brought to account under the head of Stores. But the ships that were sold were quite unserviceable; they were not repaired.

3795. I do not suggest it was wrong to sell them, but when they were sold, was any expenditure incurred upon their repair, prior to their being sold?—No.

Mr. Herbert Lewis.

3796. Have the Admiralty ever considered the question whether it would not pay them better to break up the old ships themselves than to sell them to be broken up?—In days gone by, especially in the days of wooden ships, the Admiralty did break up ships; but it requires

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On Vote 8.—Shipbuilding, etc.—I.—Personnel.
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Mr. Herbert Lewis—continued.

special plant to break up steel ships advantageously, and as it is found that they fetch, when they are sold, good prices, it is considered better that they should be put into private hands to break up. They would occupy valuable space in the dockyards if broken up therein, not only in the docks which may be required for other purposes, but also the dockyard would be strewn with the old material taken from them until it could be sold and removed.

3797. If it requires special plant to break up ships, I presume the number of persons engaged in this business is very small; is that so?—I could not say; but I have seen ships being broken up at private yards, and I did not notice that a very large number of men were employed upon them. Appliances are brought to bear to a greater extent than formerly in the process of breaking up ships. At some establishments, where they make a regular trade of breaking up old ships, costly apparatus is used for the purpose.

3798. In the case of these ships which were offered for sale, as they were from time to time recently in large numbers, are you satisfied that the competition is sufficiently keen to result in good prices being given?—I think so. Formerly we used to ask for offers from various firms, but now we are selling them by public auction and we consider that they fetch good prices as compared with what was previously realised, and more than we have been offered for some of the ships.

Mr. Cohen.

3799. Do you sell without reserve?—No, we place a reserve on all ships, and I may say that several of the ships fetched prices well beyond the reserve.

Mr. Pym.

3800. I suppose that these ships which are sold are broken up; they are not used again?—No, they are not used again; there is a strict condition as to breaking them up. The persons to whom they are sold are under bond to break them up within a certain time. A considerable fine would be levied if they were not broken up within the stipulated time. In cases where the ships are going abroad to be broken up we mutilate the machinery and the boilers so that no use can be made of them.

POSTPONED PAYMENTS.

Chairman.

3801. With regard to paragraph 9, you will observe that the criticism of the Comptroller and Auditor-General is that it seems probable that if these numerous claims and deliveries for machinery

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[Continued.]

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Postponed Payments—*continued.**Chairman*—*continued.*

machinery and armour-plates had been met by prompt payment, there would have been a deficit instead of a surplus on Vote 8—II., and a larger deficit on Vote 8—III., than that shown in the account. Can you assure the Committee that none of those certificates was postponed or the payments got out after that year, in order to relieve the deficit; was that so at all?—I believe not. In many of these cases, such as armour-plates, the certificates were handed in and the work was completed, but under the terms of the contract the money was not payable.

3802. As I understand it now, the manufacturers have enlarged their machinery so that at any time they can meet the Admiralty demands?—Yes.

3803. And it sometimes suits them better to get forward and complete the work at an earlier date?—Yes.

3804. But then under the contract they are not entitled to claim payment?—Yes; otherwise, possibly, they would flood us with deliveries.

3805. Is it your evidence that that was the case as regards any of these cases?—Yes, I understand that was the case.

Mr. Gibson Bowles.

3806. But you knew of the limitations upon the sum which you could pay under the contract when you made the Estimate?—Yes, when we made the Estimate for the armour-plates.

3807. Therefore that does not quite explain it, does it?—The point is this: When the armour is required, it is necessary to enter into a contract perhaps 18 months before delivery is expected. Then if firms happen to be slack at the time, they naturally like to run the whole contract out and deliver the full amount; but our estimate would not have been prepared to meet that charge, and therefore we are obliged to insert a clause in contracts limiting the extent of delivery by the contractor to the quantity which the Admiralty desire to receive.

3808. I am afraid I have not made myself comprehended. As I understand, you did not pay when according to our financial system you should have paid, and consequently that threw the payment of the money over to the next year?—No, the money was not due.

Chairman.

3809. Might I interpose this question, which I think will make it clear? Is not this what happened? I will read a sentence from the Report of the Comptroller and Auditor-General. "It has been necessary therefore to arrange with the makers that their claimable earnings during a financial year shall not exceed certain sums representing Admiralty requirements for that year, and if they of their own accord like to advance manufacture beyond the stage corresponding to

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

Postponed Payments—*continued.**Chairman*—*continued.*

their claimable earnings, they do so for their own convenience." Is that so?—That is so.

3810. You are not bound to accept it?—We are not bound to accept it. Circumstances might arise which might render it necessary to accept it, but under the contract we are not bound to accept it.

Mr. Gibson Bowles.

3811. May I call your attention to another paragraph—the second sub-paragraph of Paragraph 9: "But among the early payments of the financial year 1904-5 are included a large number of instalments on machinery supplied and armour plates invoiced during the closing months of the year 1903-4. In some instances the contractor's claims had been made, and the instalments had been certified by the Admiralty professional officers as properly payable within the year 1903-4"?—Yes.

3812. That is the point I was putting to you. That there were payments according to our financial system which were properly payable in the year 1903-4 and which were not paid till 1904-5; is that so? You will observe it says, "The instalments had been certified by the Admiralty professional officers as properly payable within the year 1903-4." As a matter of fact they were not paid till 1904-5. Is not that so?—It was not exactly so. I think if you will permit me I could give you one or two instances which would explain what was done.

3813. Pray do so?—For instance, in the case of certified claims where payment was postponed till the next financial year, there were two instalments in connection with vessels called the "Ure" and the "Wear" where payment was necessarily deferred owing to the non-completion of the contract. They had not completed the contract, and the payment was consequently not due.

3814. But that does not illustrate the class of instances I was talking about; because I am talking of instances where the instalments had been certified by your own officers to be due. Therefore the case you refer to is not one of the cases I am talking of?—Perhaps I might suggest that the officer who deals with these matters at present would explain the details if you would like him to do so.

3815. I do not think it is a matter of great detail?—May I give you one or two instances? Cases of compulsory postponement are of frequent occurrence. I have an instance here arising towards the end of the financial year. There was delay in furnishing the certificates necessitating a similar postponement in the case of the "Foresight," the "Patrol," and the "Attentive." There again the conditions in the contract limited the amount payable in 1903-4. Those limits had been reached before the instalments in question were claimed. The contractors made greater progress than they were required

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Mr. CHALMERS, C.B., Mr. KEMPE, C.R., Mr. GIBSON, C.B., and
Mr. MILLER, C.B.

[Continued.]

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

Postponed Payments,—*continued.*Mr. Gibson Bowles—*continued.*

required to do under the contract. That is a case on all fours with the case of the armour plates.

3816. But you knew the limitations as to your payments under the contract when you made your estimate?—But under the contract the money was not due.

3817. (To Mr. Kempe.) Would you look at the second sub-paragraph of Paragraph 9? Am I right in understanding that to mean that certain payments which had been certified by the Admiralty professional officers to be payable in 1903-4 were in fact not paid till 1904-5?—Yes, but I think there is some confusion as regards the words “properly payable.” Properly payable means there, properly payable so far as the completion of the work is concerned; that is to say, the work having been completed it could be properly paid for, but I understand Mr. Miller to say that the contract in the case he referred to specially provided that the payment need not be made immediately if the work is not wanted by the Admiralty. (Mr. Gordon Miller.) That is so.

3818. Then there is a second portion of the paragraph as to the case where deliveries have been made and claims put forward by the contractors, but the Admiralty certificate postponed till just after the close of the financial year?—(Mr. Kempe.) That does not refer to armour plates. (Mr. Gordon Miller.) No. (Mr. Kempe.) That refers to a different class of case.

Mr. W. E. SMITH, C.B., called in; and Examined.

Mr. Gibson Bowles.

3821. Have you read the latter part of sub-paragraph 2 and heard the suggestion that I put in regard to this matter?—Yes, I have read the paragraph and I have heard what you said.

3822. Is there any foundation for the idea which crossed my mind, that there may have been a settled plan of postponing these payments?—No, that is not the case in any shape or form. I cannot give you a complete answer apart from any particular case, but there are many classes of cases in which contractors have no right to receive payment notwithstanding manufacture has been completed. It is not at all an uncommon case, for instance, for a contract to be made for a firm to deliver an article and after that article has been delivered it has to be tried by actual use under service conditions. The article cannot be certified for until after it has been so tried; but notwithstanding that, the manufacturer may, on the completion of delivery at the place where it has to be delivered, send in his claim, although by the conditions of the contract he is not entitled to get it paid for until the article has been properly tried. That is one class of case. I do not say that any of these cases here are precisely that case, apart from details I could not say as to that; but that is one class of case that comes in. Another class of case that comes inside post-

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ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

Postponed Payments.—*continued.*Mr. Gibson Bowles—*continued.*

3819. I do not care so much about the particular class of case, I am speaking generally of the liability to pay. (To Mr. Gordon Miller.) Have you anything to tell us about the last portion of that paragraph?—I have a note here of two cases, the “Cochrane” and the “Colne.” In the case of those two ships, claims were preferred by the contractors before the work entitling them to the instalments was completed. We could not pay those claims before the work was sufficiently advanced to entitle them to fresh instalments.

3820. Had you not taken delivery? If you will look at the last three lines of the second sub-paragraph of Paragraph 9, it says, “In other cases the deliveries had been made and claims put forward in January and February, but the certificates of the professional officers were not issued until April, 1904, when a large number of certificates were issued almost simultaneously.” That is the point I was putting to you. That does look as though you had purposely postponed these payments in order to get them into the succeeding financial year?—I do not think such was the case. That would depend upon the action of the technical officers of the Admiralty rather than the Accounts Department. I may say that the officer who deals with these matters, Mr. Smith, is present, and he no doubt will be able to give you any information.

Mr. Gibson Bowles—*continued.*

ponement of necessary payment is that of the armour plates we are speaking of. Our contract obligation to the contractor was limited to paying a certain amount in a certain time provided that he earned that amount. We have not to pay any more in that time if he chooses to send in more work in the time. There again claims may have come in from the armour plate manufacturer sending in armour in order to get the matter out of his books; but we could not pay him for the plates until he became entitled to receive under the contract conditions.

3823. But that would not cause you to exceed your estimate; because of course you know the contract conditions when you make your estimate. We are not speaking of the estimate as I understand it, but we are speaking now of claims made without being paid in the year of presentation.

3824. At any rate that, in short, is your explanation?—That is so.

3825. (To Mr. Kempe.) You have heard the explanation that has just been given: does it satisfy you?—I was under the impression that the second class of cases—that is, where “deliveries had been made and claims put forward in January and February but the certificates of the professional officer were not issued until April” are the same as those to which I

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refer

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Mr. MILLER, C.B., and Mr. SMITH, C.B.

[Continued.]

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

Postponed Payments—*continued.*Mr. Gibson Bowles—*continued.*

refer in the paragraph at the top of the next page. "The Admiralty have explained that while some of these payments would under ordinary circumstances have been made within the Financial Year," and so on. The second class of cases seem to me to be postponed.

3826. (To Mr. Smith.) What do you say as to that?—I say there was certainly no keeping back of claims simply and solely for the purpose of transferring the expenditure without provision to the next year—that is my statement. Mr Kempe himself has given that explanation of part of the case, that is to say, there were two conditions to be satisfied in many cases: first of all, the work had to be done, that is one condition precedent to payment. Another is that the money is not to be paid until a certain time has elapsed. The overseers certify that the work has been done, and then we at the Admiralty wait until the other condition has been satisfied, and pay the contractors at the end of the agreed period.

3827. The effect of these postponements was, in fact, to alter the Vote: had the payment been made promptly the probability is that there would have been a deficit instead of a surplus on Vote 8, II, and a larger deficit on Vote 8, III, with the final result of less savings to apply to other purposes. Is that so?—That undoubtedly is so. If we had paid more money than we did pay there would have been a deficit. But we started the year on the basis that we did not intend to pay that money, and as a matter of fact we did not pay it and we were inside our contract rights not to do so.

(Mr. W. E. Smith withdrew).

OLD IRON SOLD AT WOOLWICH ARSENAL AND
BOUGHT FROM THE ADMIRALTY BY FIRST
BUYER.

Chairman.

3828. (To Mr. Miller.) You have read paragraph 10, I presume, which refers to certain old iron being bought by the Admiralty?—Yes.

3829. You observe what a bad bargain it was in that case, through the introduction of a contractor?—Yes; we look upon that as a regrettable occurrence and in view of the facts that were brought to light, it has been arranged that the Superintendents of Dockyards are in future, when they require materials of this sort, to make enquiries of the War Office authorities as to whether any suitable materials are available to meet Admiralty wants. We hope that that will prevent any recurrence of this sort of thing.

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

Old Iron sold at Woolwich Arsenal and bought from the Admiralty by first Buyer—*continued.*

Mr. Gibson Bowles.

3830. The point of that paragraph seems to be, that the Superintendents of Dockyards were not aware of what was done until the Admiralty issued their circular?—I do not know that such a cases has occurred before.

Sir Frederick Banbury.

3831. But there must have been sales before?—Yes, by the War Office.

Mr. Gibson Bowles.

3832. I should have thought that the Superintendents of all Home Dockyards would have been well aware that quantities of cast and wrought iron and so on were disposed of monthly at the Woolwich Auction Sales; and yet you seem to have found it necessary to make them acquainted with the fact by issuing a circular?—It does not seem to have occurred to them in this case. I may say that when we sell a quantity of materials of considerable value, we inform other Departments. For instance, we advise the War Office when we have armour that we want to sell.

3833. But these were your own officers?—Yes, but I do not think they were quite aware of what was going on. We have remedied that for the future in that when old material likely to be at disposal by the War Office is required, the superintendents will make inquiries.

Chairman.

3834. At any rate, this seemed to you the best means of preventing the recurrence of such an unfortunate lapse?—Yes.

ON VOTE 8.

"SHIPBUILDING," ETC.—III. CONTRACT WORK.

Chairman.

3835. With regard to Vote 8, it appears to me that all the excesses on these Votes mentioned in paragraph 11 are due to repairing in contractors' yards?—To a considerable extent that is so in the case of Votes that are named therein.

3836. It is not only in regard to inspecting and officers going round to the Yards, but it is also, as I gather, that materials are taken to the contractors' yards for repair?—That is so in some cases, i.e., for use in connection with ships under repair.

3837. "Freight" means that, does it not?—Yes.

3838. Then on the whole the policy of repairing in contractors' yards has been rather discredited at the Admiralty?—It is not intended to continue it, and no provision is made in

12 July 1905.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.
Mr. MILLER, C.B., and Mr. SMITH, C.B.

[Continued.]

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote 8.—“Shipbuilding,” etc.—III. Contract Work—*continued*.*Chairman*—continued.

in the Estimates for the current year for any such exhibition. It is contemplated to carry out all repairs at the Dockyards. The force of circumstances rendered it necessary to send these ships to contractors for repair.

3839. Those circumstances being that you had not room to do all the repairs at the Dockyards?—That is so; the repair work had accumulated, and it was necessary to make special provision to carry out the work.

Sir *Frederick Banbury*.

3840. The policy now is to do all repairs, or as many repairs as possible, in the Dockyards?—Yes.

Chairman.

3841. What progress has been made with regard to a subject in which this Committee have taken great interest,—that is, the percentages for establishment and incidental expense: in the different Yards. Will a general schedule of expenses be adopted?—Yes; the Examining Officer at the Admiralty has been in communication with all these private Yards, and he has arrived at a satisfactory arrangement with all of them to such an extent that all have been brought into accord, and the approval of the Admiralty to establish it as the principle to be followed in future will now be given.

3842. Is it a uniform scale of charges?—It is a uniform scale.

3843. Does it give you also the amount of room they have and how much each firm could undertake?—That is so.

3844. So that in fact the Admiralty are now in possession of information that enables them to know how far they can rely upon private firms in cases of pressure when it is necessary to repair ships, and also as to the expenses?—Yes.

Rear-Admiral SIDNEY M. EARDLEY-WILMOT, called in; and Examined.

Chairman.

3848. Will you tell us what is the explanation of the excess over the estimate in respect to Sub-head F, “Guns”?—The explanation is that greater progress was made on guns than was anticipated that year. Sometimes we are met with delays which cause not so much money to be spent, and sometimes greater progress is made. Greater expenditure is also made sometimes because ships are hastened on, and we have to push on with the guns to keep pace with the ships.

3849. Could you not have put the amount into your Supplementary Estimate? You had a
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ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote 8.—“Shipbuilding,” etc.—III. Contract work.—*continued*.*Chairman*—continued.

I may add we have full details of the capacity of all these yards, and we now know the amounts we shall have to pay them in the shape of establishment charges when they undertake work for us.

3845. You contribute something towards the establishment?—Yes, that is what we have been working out in order to get some uniform scale that we could reckon upon, instead of having varying percentages.

ADVANCES TO CONTRACTORS UNDER EXCEPTIONAL CIRCUMSTANCES.

Chairman.

3846. (To Mr. *Kempe*.) With regard to the table on page 176, that I take it is merely a schedule of expenses occasioned through the failure of Messrs. Maudslay and Earle, is it not?—Yes, it is bringing up to date a table that was given last year. There is no change in the position except a slight addition to the expenditure.

ON VOTE 9.

NAVAL ARMAMENTS.

Chairman.

3847. (To Mr. *Gordon Miller*.) Under Vote 9 Sub-head F, “Guns,” there is an over expenditure of 150,632*l.* beyond the estimate; would you give us some explanation as to that?—The Superintendent of Ordnance Stores is present and will be able to speak to that.

Chairman—continued.

Supplementary Estimate, had you not?—No, there was no Supplementary Estimate, I think, in that year.

3850. Not for this particular purpose, but for other purposes?—I do not think there was a Supplementary Estimate for Vote 9 in that year.

3851. I suppose as a matter of fact you knew there would be a good amount of obsolete stores sold which would come in to assist the Vote?—Yes. (Mr. *Gordon Miller*.) There was a net surplus upon the Vote. You will see under the column “Expenditure compared with grant” the total “less than granted” is 244,914*l.*, and,
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12 July 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., [Continued.
Mr. MILLER, C.B., Mr. SMITH, C.B., and Rear-Admiral S. M. EARDLEY-WILMOT.

ABSTRACT APPROPRIATION ACCOUNT, 1903-1904. ABSTRACT APPROPRIATION ACCOUNT, 1903-1904.

On Vote 9.—Naval Armaments—*continued.*

On Vote 9.—Naval Armaments—*continued.*

Chairman—continued.

the total "more than granted" 150,632*l.* The saving on Sub-head G, "Projectiles and Ammunition," you will observe of itself formed more than a set-off against the excess expenditure on Sub-head F, "Guns." (Admiral *Eardley-Wilmot.*) There was an unexpected difficulty in the supply of ammunition under Sub-head G, which led to the money not being spent, and that practically counterbalanced the increased expenditure on guns.

3852. What did you say was the reason for the non-expenditure of this 169,000*l.* under Sub-head G?—We were introducing a new ammuni-

Chairman—continued.

tion, which was somewhat difficult to manufacture. The contractor found difficulty in complying with our requirements. We had rather a high standard. The M.D. Cordite came in, and it was found very difficult to make, and that led to considerable delays. Then in regard to projectiles, they did not get on as fast as we hoped.

3853. I suppose there is no connection between the two sub-heads—that is to say, the delay in the one, or the hurrying on in the other, were not in any way connected?—No they are each treated on their own merits

Friday, 14 July 1905.

MEMBERS PRESENT:

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Buchanan.
Mr. Victor Cavendish.
Mr. Goddard.

Sir Arthur Hayter.
Sir Robert Mowbray.
Mr. Pym.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

MR. ROBERT CHALMERS, C.B., MR. J. A. KEMPE, C.B., MR. H. J. GIBSON, C.B., called in ;
and Examined.

NAVY APPROPRIATION ACCOUNT, 1903-4.

VOTE 10—WORKS, BUILDINGS, ETC.

CLASSIFIED STATEMENTS OF RESULTS UNDER ITEMS OF WORKS, 1903-4.

MR. GORDON W. MILLER, C.B., called in ; and Examined.

Chairman.

3854. (To Mr. *Kempe*.) I understand with regard to this first paragraph of your Report upon Vote 10, in order to arrive at this sum of 170,301*l.*, we must add together "Items, etc., upon which little or no expenditure has taken place," and "Items, etc., upon which considerable under-expenditure occurs." Is that so?—That is so.

3855. That is to say, the 22,502*l.* for the first, and the 147,799*l.* for the second, added together, make the 170,301*l.*?—Yes.

3856. (To Mr. *Gordon Miller*.) With regard to this matter, would you ask the Estimate Clerk in a future year to add them together in the totals; it is extremely difficult to understand how the 170,000*l.* is arrived at unless you know that the two totals shown on pages 174 and 180 must be added together?—I may point out that the Statement to which you refer is one prepared by the Comptroller and Auditor-General.

3857. I mention it because I had great difficulty in ascertaining how the 170,301*l.* was
0.3.

Chairman—continued.

arrived at, as the totals of the Items on pages 174 and 180 are not added together?—(Mr. *Kempe*.) It is perhaps my fault. I ought to have stated that the 170,301*l.* was the total of the two tables.

3858. (To Mr. *Kempe*.) The "Items of Works included in the Estimates upon which considerable excess expenditure occurs" amount to 95,154*l.*, and the "Remanets" amount to 23,077*l.*, and there is only one Work "commenced without previous Parliamentary approval but with Treasury authority," and that is Haulbowline, upon which the expenditure is 1,648*l.*?—Yes, that is all.

3859. Those sums being deducted from the total under-expenditure of 170,301*l.* result in a saving of 50,420*l.*, as you state in the last line of paragraph 15?—Yes.

3860. It will be convenient to take these statements on pages 174 to 191 separately. We will begin with "Works upon which little or no expenditure has taken place"?—(Mr. *Gordon Miller*.) Perhaps you would allow the Director of Works to give evidence as to these items.

3861. Would

14 July 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., and [Continued.
Mr. MILLER, C.B.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10—Works, Buildings, etc.—*continued*.

ITEMS OF WORKS INCLUDED IN THE ESTIMATES UPON WHICH LITTLE OR NO EXPENDITURE HAS
TAKEN PLACE, ETC.

Colonel E. RABAN, C.B., R.E., called in; and Examined.

Chairman.

3861. Would you tell me why the Work at Malta in regard to the new theatre and canteen, for which a vote of 1,000*l.* was taken, was not commenced?—The reason was that the Admiralty were not prepared to build this theatre unless the Navy would pay a certain rent for it. This was a bargain made with the Treasury when they were asked for approval to construct this theatre. After considerable negotiations the Navy said they would go without it rather than pay the rent the Admiralty considered reasonable.

Mr. Gibson Bowles.

3862. When you say "the Navy," what do you mean by "the Navy"?—The committee who managed this.

3863. But I want to know definitely what you mean—is it the whole of the Navy officers?—There is a committee at Malta who managed the canteen and the theatre, and the communications were with them.

3864. Then when you spoke of "the Navy," you meant that committee?—Yes.

Chairman.

3865. Is that work abandoned now?—The work is abandoned.

3866. Then would you tell us the reason for deferring the works at Portsmouth referred to on the same page?—Those two items "Rebuilding sand cell at Proof Butts," and "Additional proof cell for trial of armour-plates" were Works to be carried out on Whale Island. After they had been provided for in the Estimates, it was considered that owing to the reduced amount of work to be done on Whale Island it was not necessary to build those two cells at once, and therefore the Admiralty decided to defer the construction of those cells.

Mr. Gibson Bowles.

3867. When you used the word "Work" you did not mean it in the sense of the "Works Department"?—No. I mean "Proof work."

Chairman.

3868. Has that work been given up?—No provision has been made for it since then, and that was the year before last.

3869. With regard to the second item under the heading "Cape of Good Hope," 3,000*l.* for

Chairman—continued.

"Accommodation for ammunition transferred from present magazine," that is abandoned, is it not?—That is abandoned.

Mr. Goddard.

3870. I suppose there is an explanation for each of these items in this statement, but, stating it shortly, is this how it stands: that the grants amounted to 22,500*l.*, and only 2*l.* 4*s.* 6*d.* was expended?—On those items that is so.

Sir Robert Mowbray.

3871. How did you get a credit of 13*l.* 9*s.* 7*d.* on the work at Plymouth, item G?—By a return from the previous year's materials. That was the explanation of the credit. It was old materials from this work that has been going on for a long time.

ITEMS OF WORK UPON WHICH CONSIDERABLE
UNDER-EXPENDITURE OCCURS.

Mr. Gibson Bowles.

3872. In regard to item C on page 176 under the heading "Bermuda—dredging" I observe that the sum expended was less than that voted by 12,809*l.*?—Yes.

3873. How do you explain that?—The explanation is that the dredger was more wanted at Malta, and she was transferred to Malta, where a similar excess expenditure is shown.

3874. Meantime Bermuda suffers that Malta may carry on its work?—One dredger was left behind at Bermuda, and that has since finished all the work there. There were two dredgers at Bermuda.

3875. Then this 12,809*l.* will be expended at Bermuda?—Yes.

3876. Was there any change of policy with regard to Bermuda which involved giving up dredging there?—There had been none whatever at the time.

Mr. Goddard.

3877. As I understand, you took a dredger from Bermuda to Malta?—Yes.

3878. Is it the customary practice to remove those sorts of things from place to place?—Quite; they are built for that purpose.

3879 On

14 July 1905.]

Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Mr. MILLER, C.B., and Colonel E. RABAN, C.B., R.E.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works. Buildings, etc.—*cont.*Items of Work upon which Considerable
Under-Expenditure Occurs—*continued.*

Mr. Gibson Bowles.

3879. On page 178, on item G, Hong Kong, out of 8,100*l.* voted for additional accommodation, you spent only 4,437*l.*; why was that? I notice the explanation given here is "The proposed sites of subsidiary buildings and Sisters' quarters were not concurred in"—not concurred in by whom?—Locally. There was a correspondence between the local officers and the Admiralty at home as to the best site for those buildings, and that correspondence occasioned delay in starting the work.

3880. Was it a question as between the island and the mainland?—Not in the least.

3881. It was all on the island, was it?—It was entirely on the island, and within small limits.

3882. Then on page 180, on item N, "Surveys and Preliminary Investigations connected with New Works," I observe you have a grant of 2,000*l.*, out of which you have expended 888*l.*, and you consequently save 1,111*l.*, that is more than half?—Yes.

3883. Can you explain why it was you estimated for double what you wanted?—My only answer is that it is quite impossible to form a close estimate, because we do not know when we put in the item what works we should be required to make surveys and reports for, and we therefore put in a figure which is mainly based on our experience of previous years. There is no definite information on which we can form an accurate estimate.

Chairman.

3884. With regard to item M M, on which there is a saving of 7,000*l.*, the explanation is "purchase of church and parsonage at Portsmouth transferred to Naval Works Loan." Who settles a transfer of that kind; did the Treasury settle it?—Yes, the Treasury settled it in that case.

3885. With regard to item H, I see the Coast-guard Stations and Royal Naval Reserve Batteries are transferred to the Naval Works Loan Act; was that with the consent of the Treasury?—Yes.

Mr. Gibson Bowles.

3886. In that case, having had a grant of 32,000*l.* for Coastguard Stations and Royal Naval Reserve Batteries, you expended 18,401*l.* upon the work?—Yes.

3887. That was 13,598*l.* less than you had granted to you?—Yes.

3888. The explanation given here is that "15 items provided for here are being carried out under the Naval Works Loan Act." Is that so?—Yes.

3889. (To Mr. Chalmers.) Were the Treasury applied to with regard to these matters to give their assent to the transfer of these items from O.S.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works. Buildings, etc.—*cont.*Items of Work upon which Considerable
Under-Expenditure Occurs—*continued.*

Mr. Gibson Bowles—continued.

the Votes to the Naval Works Loan Act?—Yes, after the Naval Works Loan Act of 1903 had been passed.

3890. What became of the saving of 13,598*l.*; was it applied to some other Naval purpose?—There was a considerable saving on this Vote as a whole, and on the Navy Votes as a whole, but my belief (I am speaking from memory, and Colonel Raban will correct me if I am wrong) is that we said the money was not to be applied to any other purpose.

3891. It was to be surrendered, in fact?—That is what it amounted to.

3892. That is what I wanted to arrive at, because you see the consequences of any other treatment: I will not pursue that further if that is so?—That is so.

[*Note by Witness.*—My memory was at fault. By inadvertence the Treasury omitted to make the stipulation in this case.—R. C.]

"ITEMS OF WORKS COMMENCED WITHOUT PREVIOUS PARLIAMENTARY APPROVAL, BUT WITH TREASURY AUTHORITY."

Chairman.

3893. (To Colonel Raban.) With regard to Statement 3, on page 182, that item of Haulbowline is the only case in which work was commenced only with Treasury authority without Parliamentary approval. That work was, I suppose, extremely pressing?—Yes.

3894. You were obliged to get the machinery at once in order to put it in as early as possible?—Yes, the machinery was urgently required at Haulbowline, and we had to make provision at once for housing it with Treasury approval.

3895. It was not included in the Estimates till the following year?—No.

Mr. Gibson Bowles.

3896. (To Mr. Chalmers.) The matter of this 1,648*l.* came before the Treasury?—Yes. You will find the correspondence referring to it at page 139.

3897. I only wanted to know whether it came before you and obtained your approval?—It did.

3898. You considered the circumstances were so urgent as to excuse the irregularity of beginning the work without Parliamentary approval?—That is so, and I will refer the honourable Member to the Admiralty letter on page 139 in justification.

3899. (To Colonel Raban.) Was it paid for out of savings? Did the Admiralty anticipate it would be met out of savings on Vote 10?—Yes.

Mr. Goddard.
3900. How was it that it was not foreseen that you would require this machinery at Haulbowline?—

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Mr. MILLER, C.B., and Colonel E. RABAN, C.B., R.E.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works Buildings, etc.—*continued.*“Items of Works commenced without previous Parliamentary Approval, but with Treasury Authority”—*continued.*Mr. *Goddard*—*continued.*

line?—It had been foreseen by the local officers when the Navy Estimates were being framed, but it had to give way to other more urgent services, because there were other more urgent things at the time. But later on the pressure at Haulbowline for this machinery became greater, and then we went for Treasury authority to start it.

3901. Is it completed now?—Yes.

3902. Was it completed with this amount that was sanctioned by the Treasury?—I think it was rather under.

3903. Do you mean under the 6,000*l.* which was the estimate for the work?—5,500*l.* was the estimate.3904. And you took 2,000*l.* out of the surplus you had?—Yes.

3905. And then was the rest voted in the Estimate of the next year?—Yes.

Mr. *Buchanan.*

3906. Did I understand you to say that you wanted to insert this item in the Estimate of the year, but that the Treasury said there was not money enough, as there were more urgent services to be met?—No. I am sorry if I did not make my answer clear. It was the Admiralty in considering the Estimates who said that there were other more urgent works which they wished to press on in framing the Estimate. But at a later stage of the year this Work had become really very urgent, and therefore Treasury Authority was obtained to start it.

3907. The Treasury had no knowledge of it being required before?—They would have no knowledge of that.

3908-9. It was not laid before the Treasury before?—No, not before.

LIMIT OF COST OF NEW WORKS, ETC., ESTIMATED
UNDER PART II., RAISED FROM 1,000*l.* TO
2,000*l.*

Chairman.

3910. (To Mr. *Chalmers.*) Have the Treasury sanctioned this extension of the limit from 1,000*l.* to 2,000*l.* of cost of Works which are to be charged separately?—That is so.

3911. With regard to the “Grants in Aid of Works,” have they also given their sanction?—Yes.

3912. Does that bring the practice here into consonance with the Army Votes?—That is so, with the exception if I remember rightly of the

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*Limit of Cost of New Works, etc., Estimated under Part I., Raised from 1,000*l.* to 2,000*l.*—*continued.*Chairman—*continued.*

Item for Purchases, as to which the Admiralty are under Statutory obligation to come to us; and it was therefore impossible for the Treasury to give to the Admiralty the latitude that has been given to the War Office as regards purchases.

3913. But not as regards new Works or “Grants in Aid of Works”?—In every other respect there is uniformity between the two services.

Mr. *Buchanan.*

3914. Why was this alteration in the Estimates adopted; was it adopted for both the War Office and the Admiralty at the same time?—I think the War Office was a little earlier—a month or two earlier—perhaps one whole set of Estimates earlier. But the honourable Member may remember there was a Committee, presided over by Sir Clinton Dawkins, which considered this matter, and recommended to the Government that the limit should be extended from 1,000*l.* to 2,000*l.*, within which the War Office might undertake a Work on its own responsibility without specifying it separately in the Estimates. It began at the War Office, and the Treasury then intimated the facts to the Admiralty with the view to the uniformity which has now been secured.

3915. Then it was on the application of the War Office in consequence of the Dawkins Report?—That is so.

3916. Then do the War Office and the Admiralty still submit details to the Treasury of new Works which they are undertaking, of between 1,000*l.* and 2,000*l.*?—No.

3917. Then it is an extension of the power of spending by the Navy and the Army for purposes the particulars of which are not known outside the respective Department itself?—Yes, that is what it comes to.

3918. Then there is a considerable lessening of public control over those two Departments in the expenditure of money?—I do not know that it is very considerable, but it is so to a certain extent. It refers only to Works, the total estimate for which happens to be between 1,000*l.* and 2,000*l.* Colonel Raban for the Admiralty will be able to tell you whether that represents a large proportion.3919. (To Colonel *Raban.*) I suppose there would be a very considerable number of such Works?—Yes, a fair number.Mr. *Gibson Bowles.*

3920. But under this system, unless you have a very distinct definition of the word “Works,” by splitting up the work into items, each one less than 2,000*l.*, you might really expend almost any sum in the aggregate?—I think with a little ingenuity

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Vote 10.—Works, Buildings, etc.—*continued.*Limit of Cost of New Works, etc., Estimated
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*continued.*Mr. Gibson Bowles—*continued.*

ingenuity I could do it, but I think there are very few financial rules I could not, with a little ingenuity, evade. But I assure you it is not done in that way.

3921. May I call attention to the fact that these "Grants in Aid of Works," on page 100, for instance, were 8,921*l.*; those are all of this character, I presume? Perhaps Colonel Raban could answer that question; are they all of that character?—"Grants in Aid of Works" are rather distinct from the Works we do. They are an assistance to various other things. I think you will find the details given.

3922. Quite so; but the system now is to be that you are to have a Grant in Aid for expenditures for Works amounting to less than 2,000*l.*?—We may do that.

3923. For instance, if you look on page 98, under Sub-head K K, "Foundations for Machinery under 2,000*l.* each at Home and Abroad," the aggregate voted was 20,000*l.*—Yes.

3924. Are those Grants in Aid, too?—No.

3925. That is a voted sum?—Yes. Sub-head K K is a new Sub-head.

3926. This is what I want to call attention to: if any part of the 20,000*l.* is not expended within the year, it will be surrendered, will it?—Yes.

3927. Is that also true of the Grants in Aid on page 100?—Yes, certainly; it is true of all the Sub-heads of the Vote. We have not power to vary the Sub-heads of the Vote—at least I have not the power.

3928. (To Mr. Kempe.) Any balance unexpended of these Grants in Aid will be surrendered; is that so?—I should hardly call them "Grants in Aid"; they are ordinary grants under the Vote.

3929. I am citing the title that is in the Estimate. The title in the Estimate is "Grants in Aid"?—(Colonel Raban.) May I ask whether the honourable Member has page 100 before him, Sub-head P?

3930. Yes. There it is described as "Grants in Aid of Works"?—May I invite your attention to Item 2, "Thirteenth Instalment of Contribution towards New Dock"; as you see, there was a very small difference between the payment and the Estimate. But when you come to the next item, 3, there was a considerable difference. We thought the Auckland people would earn more money than they did, and as long as they did not earn it, it would go into the aggregate under Sub-head P.

3931. Has the Admiralty the power of diverting any surplus on one item in Sub-head P to another item?—Yes.

3932. Without going to the Treasury?—If the item is over 2,000*l.* we should go to the Treasury. But if the new item on which the Grant in

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NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*Limit of Cost of New Works, etc., Estimated
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*continued.*Mr. Gibson Bowles—*continued.*

Aid was required during the year was less than 2,000*l.*, and we had the money on the aggregate of Sub-head P, we should give that money.

3933. Does that apply also to Sub-head K K?—Sub-head K K is a different case. Perhaps I may explain that. Sub-head K K used to be absorbed in Sub-head K, which is Minor New Works. It was inconvenient not having a distinction for the Controller who is responsible for the supply of machinery, and to enable him to deal with it more conveniently we made Sub-head K K merely to deal with fixing machinery supplied under Vote 8 of Navy Votes in various shops, buildings, wharves, and jetties.

3933*. In fact, in these two sub-heads you have the power of diverting a saving without going to the Treasury?—Certainly, in Sub-head P, subject to the limitation of total, and Sub-head K, subject to that limitation of total.

3934. (To Mr. Kempe.) You have heard the explanation that has been given?—Yes. I may say I did not understand you to refer to Sub-head P just now when you asked me the question; I thought you were still referring to K K.

3935. But Sub-head P, "Grants in Aid of Works," is subject not only to audit but to surrender?—It would be so, certainly. (Colonel Raban.) May I correct one thing I said? In the case of Grants in Aid we do go to the Treasury; in the case of Sub-head K K we do not go to the Treasury, but in the case of Sub-head P we do go to the Treasury.

3936. I am very glad to hear that; that is what I wanted to elicit, and your previous answer rather shocked me?—I wish to correct that.

Mr. Goddard.

3937. (To Mr. Chalmers.) I wish to ask one question with regard to these items of under 2,000*l.* which can be started by the Admiralty without Treasury consent. Supposing, as has happened before now, the estimate was under 2,000*l.*, but the actual expenditure was considerably over 2,000*l.*, what would happen in that case?—The Admiralty would come to us and represent the circumstances, and ask that the work might, in technical language, be transferred from Part II. to Part I.

3938. Do I understand that to mean that it is within the power of the Admiralty to start works which they estimate would cost something under 2,000*l.* which might involve a very, very much larger sum?—In no case, I am sure, would the Admiralty embark on a work under Part II. which they thought would not be completed within the total of 2,000*l.*

3939. (To Colonel Raban.) That is the understanding?—Certainly, most clearly so. If we anticipated that a work would cost over 2,000*l.*

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NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*Limit of Cost of New Works, etc., Estimated under Part I., Raised from 1,000*l.* to 2,000*l.*—*continued.*Mr. Goddard—*continued.*

we could not undertake it without Treasury leave.

3939*. But then take the item of "Foundations for machinery," for instance. That sort of foundations, I suppose, can be estimated pretty fairly, but still, as we know, foundations are very tricky things, and occasionally they run you into more than double what you anticipated if you come across a difficulty?—Yes.

3940. What would happen in a case like that?—We should have to go to the Treasury and tell them the state of the case. I may say that this "Foundations" item is mainly made up of very small items, such as fixing lathes and fixed cranes on wharves. The limit of 2,000*l.* was merely fixed to correspond with the limit for Minor Works, to save correspondence with the Treasury.

3941. Supposing you were putting up a very heavy sledge hammer or something of that sort, would that come under that Item?—Yes.

3942. That might be a very serious thing if you happened to come across a difficulty in the foundations?—It would not be very likely to happen, because we would not put a sledge hammer in a building of which we did not know something of the foundations. But if you take a heavy thing like sheers probably the original estimate would be over 2,000*l.*, and therefore would have to be produced to Parliament.

Sir Robert Mowbray.

3943. I see under Sub-head K in your districts abroad you spent rather more than you estimated?—Yes.

3944. Were you enabled to do that because there was a saving on the total of Sub-head K?—Yes, with Treasury approval.

3945. You had to get Treasury approval?—Yes.

3946. Otherwise, without Treasury approval as regards new works which you can start under Sub-head K and which have never been specifically mentioned in the Estimate, you are restricted absolutely to the amount put down in the Estimate?—We are primarily restricted, but the Treasury, I think I may say, invariably allows us to transfer from foreign to home, and from home to foreign in the case of these minor works, because they are things that cannot always be foreseen.

3947. Within Sub-head K?—Within Sub-head K.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*

TRANSFER OF THE COST OF COASTGUARD STATIONS AND ROYAL NAVAL RESERVE BATTERIES TO NAVAL WORKS LOAN.

Mr. Buchanan.

3948. (To Mr. Chalmers.) I want to ask you with regard to paragraph 17 of the Report of the Comptroller and Auditor-General, do I understand what took place here is that when the 1903 Bill was introduced a new Item was inserted: "Coastguard Stations and Royal Naval Reserve Batteries"?—In the Bill, that is so.

3949. The result of that is that for the future all these Works which had hitherto been constructed out of annually voted money will be constructed out of loan money?—That was the policy at the passing of the Act. It depends upon what action the House may take in the matter later.

3950. But for the time they have been so constructed?—For the time being, yes.

3951. I see by turning to pages 92 and 93 the bulk, and in fact all the Works enumerated there which have been transferred to the Naval Works Loan Act, are comparatively small Works; the total cost of the highest is 6,000*l.*, and many of them are between 2,000*l.* and 3,000*l.*?—That is so; they are generally very small items. The position that arose after the passing of the Act in 1903 was this: That provision had already been made in Navy Vote 10 as though no special new Item was to be introduced into the future Bill. When that Bill was introduced, and when that Bill eventually became law, it became necessary for the Admiralty to revise their position, and they said: "We will begin our loan expenditure with new Items which we had contemplated paying for from the Vote." They put that to the Treasury, who agreed that it was a reasonable basis on which to revise the procedure.

3952. I do not quite understand. Do I understand you to say this, that as a new policy was going to be adopted, that no new Items were to be put into Loan Bills for the future, the Treasury agreed to put in a general Item in those circumstances, under which the cost of Coast Guard Stations and Royal Naval Reserve Batteries should be defrayed in future out of Loan Moneys, whereas in the past it had been defrayed out of voted money?—I do not know that I quite follow the honourable Member's question, but if I may put it in my own words, I would say it was like this: Previously all these Items, Coastguard Stations and so forth, had appeared on the Votes, but in the Naval Works Loan Act of 1903 a new policy was sanctioned by Parliament of providing within certain limits for those services being borne on the Loan. After the passing of the Act, the question arose at what point should the new Loan procedure begin, and it was decided by the two Departments that it would properly begin with the new services to which the Admiralty was already committed, and which it proposed to carry out—those new services which had been put into the Vote.

3953. When

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NAVY APPROPRIATION ACCOUNT, 1903-1904.

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3953. When you say "put into the Vote," they had always been in the Vote?—Yes.

3954. Was this one of the most important new items put into the 1903 Loan Bill?—It was, a new item.

3955. Was it likely to be a continuous item in Naval Expenditure: has it been so in the past?—I cannot anticipate the decision of Parliament upon that matter.

3956. But is not the result this, that with regard to this Item H, which has hitherto annually appeared in the Estimates upon which Parliament could exercise its control over details, in future we lose all knowledge of the details and all possibility of criticising the expenditure in detail; is that so?—No, that is not so. The House retains very complete power to criticise the expenditure, a power as complete as if the charge had been made on the Votes; because under the Naval Works Loan Act there is an annual account, and the details of that are subject to criticism by this Committee.

Mr. Gibson Bowles.

3957. But the House cannot reject any detail; when once they have agreed to the Bill that is an end of their control?—That is so.

Mr. Buchanan.

3958. But the control over the expenditure of the money is gone?—The precedent authority as to the extent of the Act was ceded by the House, but the honourable Member was speaking of "expenditure," and I took the word in its accepted sense, as meaning money already expended. An account of that is, of course, rendered to the House, and is considered by this Committee.

3959. With regard to this Item which we are considering, before 1903 the House had the power of expressing its opinion upon the expenditure before the expenditure took place, now it can only express its opinion two years or more than two years after the money has been spent?—That is so.

3960. But I gather from the Treasury letter, that at the end of last year the present policy of the Treasury is to discourage this, and in fact the Admiralty have agreed, as I understand, to put no new items in future upon Loan Expenditure?—That is so.

3961. But with regard to this particular Item, would the Treasury think the Admiralty would be entitled to put any number of these proposed new Coastguard Stations and Royal Naval Reserve Batteries into this sub-head of the Loan under the 1903 Act?—No, the Admiralty would come to us in such an event before exceed-

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NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*Transfer of the Cost of Coastguard Stations and Royal Naval Reserve Batteries to Naval Works Loan—*continued.*Mr. Buchanan—*continued.*

ing the amount placed at its disposal for this purpose.

3962. But they did not make a detailed proposal in 1903 which you can hold them to for the future?—With regard to the Act of 1903, in the Schedule to that Act the honourable Member will see that a sum of 50,000*l.* only is provided for Coast Guard Stations and Royal Naval Reserve Batteries. Against that sum of 50,000*l.* there is an asterisk, and the note at the bottom with an asterisk says, "This is a token sum only, and does not represent the total estimated cost." The Admiralty had in view in their ultimate contemplation a considerably larger expenditure. Perhaps I may say a word on the general policy of the thing. The idea was that instead of leasing property we might do much better in the public interest if we went into the market and became freeholders. As regards the point of financial policy, the idea was buying instead of leasing property. The honourable Member will see if that policy were carried out to the full there is a very wide limit indeed which might be reached by the expenditure.3963. But surely their simply putting in a token vote of 50,000*l.* under this new item, that makes the possible total expenditure under it a perfectly indefinite quantity, does it not?—No, not at all. The total expenditure which the Admiralty can incur under the Schedule of that Act is limited to 50,000*l.*, as has been stated last year in connection with a similar item by the Director of Works to this Committee.3964. Will future items for the construction of Coast Guard Stations and Royal Naval Reserve Batteries over the 50,000*l.* appear in the Estimates?—Not entirely.

3965. Will they appear at all?—I have been speaking so far as to the action of the Admiralty under the powers conferred on it by the Act. There are powers, as the honourable Member knows, which are conferred upon the Treasury, and under which the Treasury has taken certain action.

3966. Under the Naval Works Act?—Under the Naval Works Acts.

OTHER TRANSFERS FROM VOTE 10 TO NAVAL
WORKS LOAN.

Sir Frederick Banbury.

3967. In paragraph 18 of the Comptroller and Auditor-General's Report, he refers to provision being made under Sub-head M M "for the purchase of a church and parsonage" at Portsmouth, in regard to which a transfer was made to the Naval Works Loan. What was that church? Is there any power under the Naval Work

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Work

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Vote 10.—Works, Buildings, etc.—*continued.*Other Transfers from Vote 10 to Naval Works
Loan—*continued.*Sir *Frederick Banbury*—*continued.*

Works Loans Act to purchase churches?—I should imagine it was part of the naval establishment; that would be the basis of the thing, but perhaps Colonel Raban would be able to speak to that.

3968. (To Colonel *Raban*.) Can you give me any information about this church?—The purchase of this church and parsonage was for two reasons: one was to provide a church at the new Naval Barracks instead of building one as we did in other places; the other was because it enabled us to throw some public roads into the Dockyard, which added an area of considerable importance. In connection with the purchase of the church we got the local authority, the Mayor and Corporation of Portsmouth, to allow us to include in the Dockyard a good wide bit of public road which only led to this parsonage.

Mr. *Buchanan*.

3969. Is not what took place this: that two years ago there was an item inserted in the Estimate, as there always is under Vote 10, for the purchase of land?—Yes.

3970. That was a round sum of 40,000*l.*, and included in that was money for the purchase of land on which you intended to build a church; was that so?—No; it was for this very item, purchasing this church and parsonage.

3971. It was for purchasing a church and parsonage which were standing?—Yes.

3972. How much did they cost?—It has cost us 5,000*l.*

3973. Then subsequently did you go to the Treasury to ask them to be allowed to charge this to the Naval Works Loan?—My recollection is that they suggested it was a proper charge to the Naval Works Loan rather than to Vote 10. I am not quite sure whether it was their suggestion or ours, one of us suggested it, the idea being to keep the whole cost of the Naval Barracks together, that is really the ruling idea in the matter.

3974. Is this church and parsonage then within the enclosure of the Naval Barracks that were being constructed under the Naval Works Loan?—It is not actually inside, it is just across the road. It is within the same enclosure as the Captain's house.

3974*. It was upon the ground that it might be fairly considered to be part of the barracks that it was proposed to pay it out of the same fund as was supplying the cost of the barracks?—Yes, and in lieu of building an entirely new church.

3975. (To Mr. *Chalmers*.) Was that the ground upon which the application was made to the Treasury to transfer it to the Naval Works Loan?—Yes, that was the ground upon which the Treasury agreed to transfer it.

3976. (To Colonel *Raban*.) Is it paid out of

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Loan—*continued.*Mr. *Buchanan*—*continued.*

the item in the Naval Works Loan referring to Portsmouth Naval Barracks?—Yes.

Mr. *Goddard*.

3976*. Was it a church in use?—It was in use, but very little used. The Vicar who had held the living for a great many years died; and in consultation with the Bishop it seemed to be a convenient opportunity for transferring whatever endowment there was to a more crowded and newer part of Portsmouth, and allowing us to buy the church, which we wished to do. We had been in negotiation for some time with the old Vicar, who had been very unwilling to leave during his lifetime; at last he died just about this time. The Dockyard had been extended once or twice, and had gradually eaten up the parish.

3977. It is now restricted to Dockyard uses, is it?—It is for the Naval Barracks.

3978. Not for the public at all?—No.

Mr. *Pym*.

3979. Was this Mr. Platt's church at Portsmouth?—Yes.

EXCESS EXPENDITURE NOT APPROVED BY THE
TREASURY.*Chairman*.

3980. (To Colonel *Raban*.) You will observe that the estimate of this aerial cable way at the Cape of Good Hope, which is referred to in paragraph 19, has gradually increased from 4,000*l.* to 7,950*l.*, or nearly double?—Yes.

3981. That, of course, is in violation of what was recommended by the Public Accounts Committee. Can you tell us how this expenditure grew up?—There was a very large increase in the estimate, which I very much regret, but which is due, I think, briefly to the following facts. The business of making aerial cable ways was quite new to us, and therefore we took the advice of a firm who had constructed one at the Cape. Our original estimate was mainly, in fact, entirely based upon the information we got from them. As the work went on we found there were continual modifications. We called for tenders for the mechanical part of it, and we found the consequential works we had to carry out were very much more extensive than we had anticipated, and the estimate grew in that way. It was, as I say, work we were not familiar with; we did not know enough about it, and we made a very unfortunate estimate, and I am here to say that I am very sorry for the estimate; but it was a thing our experience did not enable us to form a more accurate estimate about.

3982. Could no previous examination have been

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been made at the Cape which would have assisted you?—We had an examination made at the Cape.

Mr. Gibson Bowles.

3983. Have you not had a cable of this sort at Gibraltar for some years?—No, we have not.

3984. There is one from the top of the rock?—I believe that is an Army one.

3985. And you had no communication with the Army?—We went to an expert outside who had put up an aerial cable of this sort at the Cape. I think we are rather blamed sometimes for not getting sufficient advice from outside people.

3986. I was rather suggesting you should get advice from inside people?—We went to an expert.

Mr. Goddard.

3987. In this case you went for counsel to a firm who had constructed the same sort of thing before. Did you go to more than one firm?—We invited tenders from several firms. We went to one firm first who had put up a tramway very similar to this at the Cape, and as they had had some little local experience we took counsel of them, but we invited tenders from other firms.

3988. I should have thought by inviting tenders you would have got over the difficulty of your inexperience. Were the tenders very different?—No, but our original estimate had not been enough.

3989. On what did you base your estimate? You say you had had no experience; you therefore had to go to some firm to get an estimate?—Yes. We based our estimate on the best judgment we could form as to what the works would cost in addition to the cable-way part, and they were both exceeded.

3990. You had not got experience, and you had to go to an expert to get his advice. Was he one of the tenderers?—Yes.

3991. Did he get the contract?—Yes.

3992. Then he is responsible to you for having given you that estimate, which is far below the mark?—He gave us the estimate for his part of it.

Mr. Gibson Bowles.

3993. (To Mr. Chalmers.) You have before you in the third sub-paragraph of paragraph 19, on page 168, the comment of the Treasury upon this transaction?—That is so.

3994. You have heard the explanation given by Colonel Raban; does that induce you to modify the Treasury opinion there expressed that they were not satisfied that the circumstances were such as to justify them in giving their covering sanction to the expenditure?—That remark which is referred to by the honourable

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Member was made on the information before the Treasury at an earlier date. At the end of February the Admiralty came to the Treasury with that fuller explanation which has been indicated by Colonel Raban to the Committee, and early in March last the Treasury gave their covering sanction to the transaction.

3995. (To Mr. Kempe.) You have before you the paragraph I am alluding to, and you have heard the explanation of Colonel Raban and the comment of the Treasury. What do you now say as to this item?—I have heard the explanation of the Admiralty, but I have not seen the Treasury answer to it.

3996. As I understand the Admiralty explanation is that they made an estimate without knowing anything about the work?—I understand that now, but as I have not seen the Treasury answer I do not know what the reason which the Treasury gave for agreeing with the Admiralty request may be. If the Treasury agree to it, I should probably accept it as being sufficient.

Sir Frederick Banbury.

3997. The Treasury do not appear, from what is stated here, to have agreed?—(Colonel Raban.) The Treasury have since agreed. Their letter is not printed there, but I can read it if desired.

Mr. Gibson Bowles.

3998. Have I rightly apprehended your explanation to be this: In the case of this aerial cable-way you put down an Estimate such as you judged would meet the cost?—Yes.

3999. But after you put down that Estimate you began to consult experts?—No, before.

4000. Then I must modify what I was putting to you; you first consulted experts and they gave you information which led to this Estimate of 4,000l.?—Yes.

4001. Were those the same experts who took the contract?—Yes.

4002. Then did you call upon them for an explanation why, having given you an Estimate of 4,000l., they increased it to nearly double?—We have had a great deal of discussion with them.

4003. It does not suggest to me that they were very complete experts; does it to you?—They have done their work very well. The whole thing was made on rather a small scale of drawings. I frankly admit I am very sorry we were not wiser, but we did make the best estimate we could on the advice we got from them—in fact they really did assist us.

4004. Were not you in a position to say to them, We have estimated on your advice 4,000l. for this work and we will not pay you more?—The tenders were not exactly on their advice—the tenders were based on our specification and

they

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NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*Excess Expenditure not Approved by the
Treasury—*continued.*Mr. Gibson Bowles—*continued.*

they came in, and we considered their and the other tender that came in. We only got two tenders, although we invited several.

Chairman.

4005. Was it the case that you were dealing with two sets of people, one for machinery and one for works?—We were doing the works ourselves.

Mr. Pym.

4006. What were the tenders for?—Not for the whole works. We were doing a certain portion ourselves, because we had greater facilities than a firm in England would have for doing it.

4007. Has it been that portion of the work which you did yourselves on which the expenditure has increased, or was it on the portion of the work which was done by tender?—It is on both parts—there have been alterations made in both parts as the work went on, and the expense has gone up.

4008. Then where the work has been by tender the increase arose from the alteration of the tender after it had been accepted?—From the alteration of work actually executed after the tender was accepted.

4009. What is this cable-way for?—To convey materials, and, if necessary, men up to the Naval Sanatorium on the top of the mountain behind Simonstown.

4010. What is the distance?—I forget—it is a couple of thousand yards, I should think.

4011. Just over a mile?—Yes—I should think rather over that.

4012. It is for men and materials?—Yes—men and materials.

4013. Supposing you knew that this was going to cost 8,000*l.*, should you have carried it out?—I think so; certainly.

4014. You do not think the expenditure of 8,000*l.* for this purpose, the carrying of men and materials 2,000 yards, could have been reduced by carrying them in some other way?—No; labour is so expensive out there. It is a very steep hill, and there is a very bad road; there is a very long round about cart-road, and a fairly good zig-zag footpath.

4015. 8,000*l.* would provide a great many carts and horses?—Yes, but a good many men go up there now. The rifle range is upon the top of the mountain and there is the Sanatorium; so that a great deal of material has to go up.

4016. And there are the expenses for working his in addition?—Yes.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*Excess Expenditure not Approved by the
Treasury—*continued.*

Mr. Buchanan.

4017. Was it ever contemplated to charge this to the Naval Works Loan Fund?—No.

4018. Is it connected with Simon's Bay Dockyard?—No, I do not think it could be said to be connected with the Dockyard.

Mr. Goddard.

4019. I suppose this sort of work was done by Kaffir boys before taking up the material?—Or it was carried by ox-carts up the long way. The new sanatorium has only just been built. The rifle range has been going on for some time, but the property up there has been developed. We have built a very fine reservoir up there and now men go up in great numbers to the sanatorium and to the rifle range; rifle practice is carried out there; the use of the mountain is increasing steadily, and I am sure it is an economical thing.

Chairman.

4020. Would you give us some explanation with regard to the other two items mentioned in the paragraph, the Sheerness Drainage Improvements and Plymouth Hospital, in which there is a great variation from the estimate?—Sheerness is a dockyard that is almost entirely built on piles. It is a dockyard that has the worst foundation of any we have to deal with, therefore, in making the estimate for the drainage, we did take considerable precautions in investigating what we had to do—we sank trial holes and so on; but when the contract had been let, and the excavations were opened up by the contractor, the condition of affairs was found to be much worse than we had anticipated, so bad indeed, that we were afraid we should have to put in the whole of the underground work in ironpipes. When I saw that there was a large excess in prospect, I considered whether by an entirely different system I could reduce the cost, and I found I could not reduce the cost in any way. I was then compelled to say that I had made too low an estimate, and that the work could not be done within the estimate; but it was necessary work, and we were allowed by the Treasury to go on with it on an increased estimate.

4021. It was, of course, with the sanction of the Treasury?—Certainly.

4022. Will you tell us now with regard to the work at Plymouth Hospital?—Plymouth Hospital in a case in which, just before the estimates were closed, an item was inserted for a lunatic ward. When detailed plans were prepared certain modifications were required by the medical authorities; therefore, additional accommodation was put in, and we found when we were about to go to tender, that there was no prospect of doing the work for the amount quoted, and we had to ask the Treasury to allow us to increase the estimate. We were very much pressed at the time we closed the Votes, and had not got

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Treasury—*continued.**Chairman*—continued.

got out a complete scheme that had met with the approval of the medical authorities.

4023. But this work is not yet completed; do you anticipate much more expenditure?—No, I am rather in hopes we shall have a small saving upon the increased estimate.

4024. Are the Medical Department satisfied?—The Medical Department are satisfied.

4025. With regard to Sheerness, the work is not completed, I understand; is there much more to be spent?—That is practically completed now. There will be no saving, but I hope there will be no excess.

Sir Frederick Banbury.

4026. In regard to this paragraph, I presume the Admiralty are taking into account the opinion of the Public Accounts Committee of 1901, and the opinion of the Treasury in the same direction?—Certainly.

4027. They will endeavour as far as possible to obtain accurate estimates?—Certainly we will. I should like to say I did about 1,800,000*l.* worth of work during the year whose accounts you are considering and you have only three items against me. One of those was as to drainage at a very difficult place. Another was a kind of work which was specially difficult for me because I did not know very much about it when it was started.

Mr. Buchanan.

4028. I omitted to ask one question with regard to paragraph 18. When this new store at the Cape of Good Hope was transferred to the Naval Works Loan, under what Item was it put?—"Magazines."

4029. It was put under the general Item "Magazines"?—Yes.

4030. (To Mr. *Chalmers.*) That was submitted to the Treasury and agreed to by them, I suppose?—Yes.

4031. (To Colonel *Raban.*) It disappears into this general Item so far as Parliament is concerned?—Yes.

PAYMENT TO A CONTRACTOR AS AN ACT OF GRACE.

Chairman.

4032-3. With regard to paragraph 20, what is the meaning of "Payment as an Act of Grace"?—We paid a contractor a sum in excess of his contract rate. The explanation is that in the case of this Coastguard Station the contract was let for a certain sum, and at a later stage it became very clear to me that the contractor was in great risk of becoming bankrupt. I went into the matter very carefully, and I satisfied myself that

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Vote 10.—Works, Buildings, etc.—*continued.*Payment to a Contractor as an Act of Grace.—
*continued.**Chairman*—continued.

it would be much cheaper for the Admiralty to pay him a larger sum of money than his contract provided for than for us to drive him into bankruptcy and take over the work ourselves. We represented the case very fully to the Treasury, and satisfied them that it was a sound thing to do, and got Treasury authority.

4034. (To Mr. *Chalmers.*) You were satisfied upon the point?—We were.

4035. (To Colonel *Raban.*) It seems rather an odd thing to do. Was there no other way out of the difficulty except going on with this man?—I think there was no other way. He had got a very bad contract; it was a very difficult place to build a station.

4036. When you say he had got a bad contract, you mean it was bad for him?—Yes; we knew at the time he took it that it was a very low tender, and we gave him a kind of warning. (Mr. *Chalmers.*) The extra payment was sanctioned by the Treasury to be paid on the completion of the work within a reasonable time, and to the satisfaction of the Admiralty; that was part of the condition.

Sir Frederick Banbury.

4037. (To Colonel *Raban.*) You may possibly have heard certain opinions of mine as to the way of dealing with contracts under these circumstances, and it is hardly necessary for me to say anything further, but I would like to ask, if a contract is good for the contractor and bad for the Treasury, what happens then?—Undoubtedly the contractor holds to it. In this case my argument was that it would have cost the State more to complete the work themselves if we had driven this contractor into bankruptcy.

Mr. Gibson Bowles.

4038. In other words, you could not enforce your contract because you had not taken proper precautions with regard to your contractor's capability to perform it?—That is quite true. I explained last year to the Committee that in the case of these contracts for Coastguard Stations at some hundreds of places round the coast it is exceedingly difficult to ensure that. We are taking additional precautions now.

PURCHASE OF LAND AT PORTLAND.

Chairman.

4039. (To Mr. *Chalmers.*) With regard to paragraph 21, this sum of 336*l.* appears to have been taken in the Estimates of 1901-2, and paid into the Bank of England?—By the Admiralty. The Treasury has no cognisance of the transaction.

4040. Then I will put my question to Colonel *Raban*—this would have made a double payment, apparently

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Vote 10.—Works, Buildings, etc.—*continued.*Purchase of Land at Portland.—*continued.**Chairman—continued.*

apparently, would it not?—(Colonel Raban.) This is a financial matter, and perhaps you will put your question to the Accountant-General.

4041. (To Mr. Gordon Miller.) This amount has been recovered, has it not?—The amount has been recovered with interest.

Mr. Gibson Bowles.

4042. How did the blunder occur?—The blunder was due to an oversight at the time the money was issued. The 336*l.* was deposited on March 29th, 1901, in the Bank of England in the name of the Solicitor, as a necessary condition precedent to the Admiralty obtaining possession of the property. The purchase was not completed until August, 1903, when a series of payments (including expenses) amounting to 502*l.* 8*s.* 6*d.* was made. The 336*l.* should have been used to defray a portion of this, and on the attention of the Solicitor being called to the matter (after the Comptroller and Auditor-General raised the question) he obtained a transfer of this amount to Navy Funds, plus interest 16*l.* 4*s.* 8*d.*, for the time it was on deposit. At the time the money was paid on deposit it was treated in the office as a charge to Vote 10, instead of being booked as a charge to private individuals.

4043. In fact, you forgot your payment?—Yes, having been charged to Vote 10 instead of being accounted for in our record of advances to private individuals it was overlooked.

4044. But for the Comptroller and Auditor-General it might have remained undiscovered?—It might have, except that in course of time the Bank would probably have communicated to the Solicitor.

4045. It might have done so, or it might not?—It might not have done so, but we are much obliged to the Comptroller and Auditor-General for having pointed it out to us.

Mr. Goddard.

4046. (To Colonel Raban.) On page 76 there are a few points which perhaps you would explain. The first is Item 7, "New Roads" at Chatham, on which the Grant was 1,000*l.* and the expenditure 2,500*l.*; can you tell me what the explanation is as to that?—The explanation is that in the beginning of the year when we are framing the Estimate we give as much as we can for Roads and Railways in the Dockyards. It is taken generally in a round lump sum, such as you see was voted in that case; but later in the year money became available on account of short expenditure on certain other services, and with Treasury permission we are allowed to push on works of which the total estimate has been approved, and of which the Appropriation is less than we can spend in the year.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 10.—Works, Buildings, etc.—*continued.*Purchase of Land at Portland.—*continued.**Mr. Goddard—continued.*

4047. The total estimate for these new roads is 14,700*l.*?—Yes.

4048. Then may I take it with regard to the next item, "Railways," where the Vote was 1,000*l.* and the expenditure practically 4,000*l.*, the same explanation applies?—Exactly. Within the total Estimate the Treasury would allow us to push on one work when another is falling behind, because it relieves next year's Votes proportionately.

4049. Would the same explanation apply to the case of the Railway Lines at Devonport on page 80, where the Grant was 2,000*l.* and the expenditure 4,000*l.*?—Yes.

4050. Now, turning to Sub-head G G, on page 90, take the item "Osborne." In that case in the Estimate of 1903-4 the sum of 40,000*l.* was taken for commencing this College at Osborne?—Yes.

4051. In May, 1903, a month or two after the Estimate was presented, it was increased to 87,200*l.* with Treasury sanction?—Yes.

4052. Then a further 3,500*l.* was allowed for the extra cost of an Infectious Hospital, making 90,700*l.* (To Mr. Chalmers.) I notice there is a correspondence between you and the Admiralty on this subject, which is printed on page 141. I see you declined then to give your consent to the proposed increases, either for the year's expenditure or for the total sum?—That was so.

4053. Then you yielded for some reason afterwards?—That was the decision.

4054. Your reason for yielding was that the Admiralty gave you to understand that the sum of 160,000*l.* would not be exceeded; was that the reason?—They furnished us with an explanation.

4055. The Admiralty did make you a clear statement, I think, in the letter of the 13th of July?—Yes, the 13th of July, and after that, on the 22nd of July, the Treasury gave their sanction.

4056. In their letter of the 13th of July the Admiralty stated that the sum of 160,000*l.* would be final?—Yes.

4057. Why did not the Treasury adhere to their first decision and make the Admiralty come to Parliament in a case like this? The increase is a very large one. What was the reason? Was there any real reason?—I can only say the matter was very much considered and that was the decision of the Government.

4058. (To Colonel Raban.) Who drew this Estimate?—Do you mean the Estimate of 160,000*l.*?

4059. The Estimate of 160,000*l.* was the final one?—Yes.

4060. Who drew the Estimate in the first instance?—I think the Office of Works drew it, in the first instance, it was between us and the Office of Works.

4061. Was 160,000*l.* proved to be a final Estimate?

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Mr. Goddard—*continued*.

mate?—Yes; you only have 160,000*l.* in this year's Estimate.

4062. Is the work completed yet?—Not quite.

4063. Then you will want another sum beyond the 160,000*l.*?—I think not.

4064. But you have got an Estimate of 160,000*l.*, and you say it is not completed yet?—We have not spent the 160,000*l.*

4065. You think it will be sufficient?—I hope and think so.

4066. Under this same Sub-head I notice, on page 90, there is a sum of 2,000*l.* taken for the erection of an Infectious Hospital in connection with the College for Naval Cadets at Osborne under Sub-head G G?—Yes, as part of that.

4067. When that Vote was taken it was intended to convert the Cowes Barracks into an Infectious Hospital?—Yes.

4068. For some reason or other it was not found possible to do that; was it because the place was unwholesome?—The reason was that the foreshore was considered to be unhealthy. We used our utmost endeavours to get the local authorities to improve the condition of the foreshore, which we thought might be improved, but they would not spend money on it.

4069. Then you went to the Treasury to sanction a further expenditure of 3,500*l.*?—Yes.

4070. Making 5,500*l.* in all, instead of the 2,000*l.* which you asked for?—Yes.

4071. I cannot quite understand, and perhaps you can explain, why, before making an Estimate of that sort, the foreshore was not examined?—The whole thing was done in a very great hurry. A main feature of the work in connection with Osborne was the extreme urgency of going on with it. The Estimate and the plans and everything had to be done with the utmost rapidity. Also, I may say, we were in full hopes that we should have been able to utilise the barracks by getting this foreshore put right. We appealed to the Board of Trade and to the Local Government Board, and to everyone we could appeal to.

4072. Who was responsible for the examination and reporting that the barracks would be suitable for this purpose, or could be adapted for this purpose?—I am afraid I cannot tell you at present.

4073. Can you tell me what was done with these East Cowes Barracks?—I think they are vacant now.

4074. It is clear that if the foreshore is insanitary they are not fit for accommodating ordinary troops; you do not know whether they are occupied?—They are the barracks which were occupied by the Guard when the late Queen lived at Osborne, and I do not think they are in our charge at the present moment.

4075. There is one other item which I wish to ask about, on page 190, under Sub-head M M, in regard to "land for rifle range at Deal." If I have got the story right it comes to this. It

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Vote 10.—Works, Buildings, etc.—*continued*.
Purchase of Land at Portland.—*continued*.

Mr. Goddard—*continued*.

was in the year 1901 that the Admiralty got an offer of the land that they wanted there for 8,000*l.* and that was reduced, I think, to 6,000*l.* Then the Admiralty valuer said that the land was only worth 1,800*l.*, was that so?—Yes.

4076. Then there was an appeal to arbitration?—Yes.

4077. And the result of the arbitration was that you had to pay 7,680*l.*, as well as other charges. That brought up the cost of the land which was offered for 6,000*l.* to 7,848*l.* Why did it take such a long time to bring this about? It was in 1901 that this was commenced?—The negotiations were very lengthy, and there was an arbitration which took time to get up.

4078. Who was the valuer who made this tremendous mistake? We had two or three valuers before we went to arbitration.

4079. But who was the valuer who said it was worth only 1,800*l.*?—Messrs. Ryde; but I do not think they did make a mistake, myself. I do not think it was worth more than that.

4080. Then was not the case put forward rightly on the arbitration?—I think it does sometimes happen—it has happened more than once in my experience—that very large prices are given in an arbitration against the Government, as I think they are also given against railway companies, but I do not think anyone who was acquainted with the facts would adjudge Messrs. Ryde as having given a very bad estimate of the value of the land.

4081. As it turned out, as a matter of fact, that estimate of the value misled you completely?—Yes.

4082. You would have been very much better off if you had accepted the original offer of 6,000*l.*, and have done with it?—Yes, we should have avoided the expenses.

4083. I suppose that transaction is completed now?—Yes.

(Colonel Raban withdrew.)

ON VOTE 11.

MISCELLANEOUS.

Chairman.

4084. (To Mr. Gordon Miller.) In Vote 11 I observe there is a very large excess on Sub-head A of 33,000*l.*, which I understand is mainly owing to visits to private yards; then on Sub-head E, "Lodging Allowances," there is an over-expenditure of over 16,000*l.*, owing to the same reason; are these visits of inspectors to the places where the repairs are going on very expensive?—A large number of officers are located in the neighbourhood of the work, and there

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Vote 11.—Miscellaneous.—*continued.**Chairman—continued.*

there are considerable expenses in connection with the lodging allowances. Also there is considerable outlay in connection with the railway carriage of navigating parties.

4085. Who do you send down? Do you send down an inspector or do you send a party?—When a ship is transferred from a Naval port to a private establishment there is a considerable amount of expense in bringing back the navigating party, and, in addition to the overseers who supervise the actual work, there are several officers associated with the ship who remain on the spot. There is also the cost of the conveyance of the navigating party to bring ships from Contractors' Yards to the Dockyards.

Mr. Gibson Bowles.

4086. Are the lodging allowances paid on a fixed scale?—Yes, they are according to the scale in the King's Regulations. I may say, in view of the large and steady increase in the expenses of this description, the Admiralty appointed an influential Committee to thoroughly investigate the whole matter. We have recently received their report, and it is under consideration.

4087. Are you very much decreasing the number of repairs done in private yards?—The undertaking of repairs in private yards has ceased.

4088. Then this expense will not be incurred again?—This expenditure will not appear in future years so far as repairs are concerned, but similar expenses will continue in the case of ships in course of construction. We have the cost of the navigating parties to send down to bring them to the dockyards, and also for steam trials.

DAMAGE DONE BY H.M. SHIPS.

Chairman.

4089. As regards the excess on Sub-head G, "Compensation for damage done by H.M. Ships," that is almost entirely due to the collision between the "Ruperra" and the "Melampus," is it not?—Yes.

4090. In which the Court-martial appears to have given a decision in favour of the officers, and the Civil Court gave it against the Admiralty?—Yes.

4091. And so you had to pay 15,000l.?—That is so; the judgment of the Court was against us.

Mr. Gibson Bowles.

4092. Did the Court-martial take one view of the duty of naval officers under the rule of the road and the High Court of Justice another view?—That is a question I could not answer. A Court-martial was held at Devonport to investigate the circumstances of the collision, and found that the "Ruperra" was to blame and

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 11.—Damage done by H.M. Ships—*continued.**Mr. Gibson Bowles—continued.*

exonerated the officers of the "Melampus." When it came before the High Court I suppose certain considerations which had not been put before the Court-martial prevailed. Legal proceedings were instituted against the Admiralty by the owners of the "Ruperra" in respect of the loss of their vessel, and as a result of the action judgment was given for the plaintiffs in the High Court on the ground that steps were not taken on the "Melampus" to keep clear of the "Ruperra." That was the ground of judgment.

Chairman.

4093. She crossed before the fleet at right angles, and one vessel crossed in front of her safely, but the "Melampus," which was second, struck her on the port side. Was that it?—That was it.

Mr. Gibson Bowles.

4094. It raised the whole question whether the fleet is to be immune from the rule of the road; was not that so?—That is a question that I could not answer.

Chairman.

4095. With regard to Sub-head L, where is the additional Naval Attaché posted who is charged under that sub-head?—The additional Attaché was required in order that there might be separate Attachés for Russia and Italy.

4096. Then with regard to the paragraph in the Comptroller and Auditor-General's Report at the top of page 169, as to the damage frequently done to colliers in loading: Are you satisfied that all precautions are now being taken to prevent accidents of that sort?—The Admiralty have issued a special circular on the subject to this effect: "My Lords, whilst desirous of encouraging in every way the zeal now displayed in carrying out as an important evolution for war the frequent and irksome duty of coaling, at the same time consider that with due care on the part of the commanding officers a considerable saving may be effected in this direction." Directions were therefore given "calling the attention of all commanding officers to the necessity of exercising the greatest care in preventing damage to colliers whilst employed coaling H.M. ships, and of ensuring that every precaution is taken that the collier is brought alongside and secured in a seamanlike manner." The circular was issued on the 15th December, 1904, and I understand it has had beneficial effect.

Mr. Gibson Bowles.

4097. You have got very much improved apparatus now for coaling ships, have you not?—Do you mean the Temperley transporters? Some ships prefer that, and others the ordinary system.

4098. You

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Vote 11.—Damage done by H.M. Ships—
continued.

Mr. Gibson Bowles—continued.

4098. You have improved your system?—
Yes; considerable attention has been given to
the subject.

4099. Do you attribute the increased claims
for damage to colliers alluded to here to that im-
provement?—No; I think the damage to the
colliers may have been through the desire of
commanding officers to coal their ships with the
greatest rapidity, as would be the case in time
of war.

4100. To a desire for what is called “smart-
ness”—doing the thing quickly?—Yes.

4101. Have the Admiralty pointed out to the
commanding officers that to do a thing smartly
is not always to do it in a seamanlike manner?—
They have pointed out by the Circular of
15th December, 1904, that in doing it smartly
they must do it with care so as not to incur un-
necessary expense.

SUB-HEADS NOT PROVIDED FOR IN THE ESTIMATES.

Chairman.

4102. With regard to paragraph 23, I under-
stand those sub-heads will disappear, being
exceptional for this year?—Yes.

SUB-HEADS A AND Q.

TRANSFER OF ESTIMATE.

4103. Paragraph 24 relates to a better mode of
accounting for Naval travelling expenses and
costs of newspapers and advertisements, putting
them under one head?—Yes.

Mr. Gibson Bowles.

4104. This seems a curious system of account-
ing. As I understand, a naval official claims for
the cost of his railway pass, and it has been usual
hitherto to post that sum, which I presume
would be a small sum, would it not?—Yes.

4105. It has been usual hitherto to post that
sum under thirty or forty different sub-heads?
—Yes; that was the procedure in the past.

4106. That was the procedure up to recently?
—Yes.

4107. Does not that strike you as being a
strange procedure?—It promoted a certain
amount of accuracy in bringing the expenditure
to account under the specific headings to which it
related, but it was a very complicated process,
and it was thought desirable to abolish the
system, and bring the expenditure to account
under a general heading.

4108. You have now got it under eight to ten
sub-heads?—It is all brought together now
under one sub-head.

9109. Then now, a railway fare of, say, 5s.,
will only be posted once instead of 40 times?—
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Sub-heads A and Q—*continued.*

Transfer of Estimate—*continued.*

Mr. Gibson Bowles—continued.

The claims for railway fares for all those officer-
and people come in periodically through the
Railway Clearing House.

4110. I see now, this is the aggregate claim?
Perhaps I might explain that. A very heavy
claim would come in from the Railway Clearing
House embracing an enormous number of items,
and instead of splitting all those items up over
the different Services, as we did before, the total
is now brought to charge under one general
head.

DAMAGE CAUSED BY AN EXPLOSION.

Chairman.

4111. The case referred to in paragraph 25
seems to have been a very bad one, the explosion
of an iron cylinder which was sold at a Ports-
mouth Dockyard sale, which was in fact charged
with compressed ammonia. Was anybody
brought to punishment for that?—No, I think
not; I think it was an accident. It was a very
unusual thing for such an article to be returned
to a dockyard, and the dockyard people who
received these articles treated them simply as old
metal. A close examination was not carried out
to ascertain whether they were charged or not.
But in order to prevent anything of the kind in
future, the Admiralty gave direction that
cylinders ordinarily containing gas are to be
very carefully examined, to see that they are
empty. They are to be mutilated.

4112. One would have thought that that would
have been done before?—It ought to have been
done before, but this was a very exceptional
case. I do not think any such articles had been
received before in the dockyards.

4113. Special notice has been taken of it?—
Yes.

ON VOTE 14.

NAVAL AND MARINE PENSIONS, ETC.

SUB-HEAD NOT PROVIDED FOR IN THE ESTIMATE.

Chairman.

4114. Under Vote 14, I observe there is a new
sub-head for “Gratuities to Dependent Rela-
tives other than Widows and Children of Sea-
men and Marines Slain.” 500*l.* is still paid
from Greenwich Hospital, is it not?—Yes.

4115. This is an amount granted to make it
up to what you require during the year in excess
of the 500*l.*?—Yes. In the Estimates for 1905-6
we have made special provision for gratuities
in excess of the 500*l.* to the extent of 500*l.* That
gives us a field of 1,000*l.*

2 M 2

4116. With

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.
and Mr. MILLER, C.B.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 14.—Naval and Marine Pensions, etc.
—continued.Sub-head not provided for in the Estimate—
continued.

Mr. Goddard.

4116. With regard to an item on page 48, Item C: "Pensions and Gratuities to Seamen and Marines," you will observe a footnote which says that there is a sum of £250 18s. 8d., "the taxed costs for which a pensioned Chief Boatman, H.M. Coastguard, was liable." Was an action brought against him by a lieutenant, and it has been paid for out of the Navy Vote, and the man's pension stopped; is that so?—He brought an action against the officer—that is the position.

4117. It does not say what the action was at all; but the point that occurred to me was: Why should we provide the costs in the law court. Why did we interfere in the matter at all? As I understand this man's pension is only £37, and the debt which we have paid is £250. What will happen if the man dies before the debt is paid?—I am afraid we should lose the money in that case.

4118. Is there any reason why we should advance money in a case like that? Had not the officer the same opportunity as any ordinary person of going to the County Court and getting his money back?—You will see in the letter on page 159, the Admiralty submitted for the consideration of the Treasury a suggestion "whether the party-and-party costs should not be paid and charged to a suspense head, pending the final decision as to the recovery of the amount in question." The costs were incurred in defending our own officer, but the Court decided that the plaintiff was to pay the costs.

4119. Was it a private suit between those two parties, or had it to do with the Service?—It had to do with the Service. Perhaps I may explain what the case was.

4120. Will you please do so?—Timothy Gribble, late Chief Boatman in charge at Belderrig Coastguard Station, was pensioned on the 8th April, 1901, and occupied, as caretaker, a lodge—the private property of the Lord of the Manor—in the centre of the Coastguard Station. On the 10th April, as the outcome evidently of some former friction which had existed between the late Chief Boatman and the other members of the Coastguard, Lieutenant Cathie, the Divisional Officer, received a threatening letter from Gribble. The officer on the following day, accompanied by the Commissioned Boatman and Boatman of the Station went to the lodge and requested an explanation, which was not satisfactory. As the lodge at which Gribble was acting as caretaker was in the centre of the station, the Divisional Officer considered that it would be very dangerous to the discipline of the station to allow him to stay, and accordingly asked him to vacate the lodge at once. This he refused to do, and the officer thereupon had him

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 14.—Naval and Marine Pensions, etc.
—continued.Sub-head not provided for in the Estimate—
continued.

Mr. Goddard—continued.

removed by force by the men of the Coast Guard. As the result an action was brought against this officer, and the Admiralty have been defending their officer, and these costs were incurred in that way. Gribble lost the day, and the Court decided that he was to pay the costs; so the Admiralty are recovering the costs from this man's pension.

4121. I suppose the man is in the workhouse, and we are maintaining him by taking his pension?—I could not say as to that.

ON VOTE 15.

CIVIL PENSIONS, &c.

SPECIAL GRANT ON RETIREMENT TO A HIRED
DRAUGHTSMAN.

Chairman.

4122. I presume you concur as to the propriety of this decision of the Treasury that when an officer renders extraordinary services outside the normal duties of his post, the proper course is to grant adequate recognition of them at the time, and not to defer the claim until the date of the officer's retirement?—Yes. That has been noted at the Admiralty, and will be acted upon in the future, unless exceptional circumstances arise which may prevent it.

BALANCES RECOVERABLE.

Chairman.

4123. (To Mr. Chalmers): With regard to this loss of 3,450*l.* owing the failure of the Weymouth Old Bank, you are satisfied, I presume, that nothing could be recovered, and, therefore, you allowed it to be written off?—That is so. We got the final dividend, and we were advised that we had no further claim.

GENERAL STATEMENT OF PENALTIES.

Chairman.

4124. (To Mr. Gordon Miller): With regard to the waiving of penalties, I should like to ask about two cases on page 191, the case of the "Cornwallis" and the case of the "Euryalus." In those cases the penalties which were waived were very large, 19,800*l.* in the one case, and 49,000*l.* in the other. Can you tell us at all the reason for waiving the penalties in these cases. Was there any change of programme?—I think Mr. Smith would be able to give you better information on that point than I could.

4125. Could

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.
and Mr. MILLER, C.B.

[Continued

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 15.—General Statement of Penalties—*continued*.

Mr. W. E. SMITH, C.B., called in; and Examined.

Chairman.

4125. Could you give us the reasons for the waiving of these penalties in the cases of the "Cornwallis" and the "Euryalus"?—The contractors urged these reasons: First, that they were delayed in the construction of the ship by our delay in supplying armour to them; they had great difficulty in obtaining materials from the sub-contractors, and they had strikes and difficulty in obtaining skilled labour. Those statements were thoroughly considered by the Admiralty, and we came to the conclusion that the reasons put forward by the firm were satisfactory and correct, and we concluded that we were not in a position to enforce any of the penalties on that account.

4126. Does that relate to the case of both the ships I mentioned?—That is the case of the "Duncan," which was the case that occurred first. The circumstances in connection with the "Cornwallis" were precisely similar. The two ships were built at the same yard, side by side.

4127. With regard to the "Duncan" and the "Cornwallis" the delay was not very long. They were both delivered within the year, but in the case of the other one—the "Euryalus"—the delay was very long—a year and six months at the least?—The "Euryalus" is a very exceptional case. I suppose she was the most unfortunate ship we ever have had. The builders, Messrs. Vickers, had a new wharf, which they had laid down on purpose to facilitate the building of the ship. Unfortunately the wharf caught fire, and serious damage was done to the ship. The vessel had to be taken from where she was to another shipbuilder's yard, namely, Messrs. Laird's, for the purpose of being docked. She was detained at Vickers' yard by an accident to the passage way to the open sea, and she had to wait some time before she could go out. Then we had the ship taken to Messrs. Laird's dock, and she had an accident in there. The blocks dropped and she fell heavily on the bottom of the dock, and met with a severe accident.

4128. Was there any other reason given for the delay?—No, those were the reasons which acted upon our minds in deciding to waive all claims for penalty.

Sir Robert Mowbray.

4129. Were the penalties against the original contractor, or the subsequent contractor—was there more than one contractor?—There was only one contractor—Messrs. Vickers.

4130. But they were responsible for her being finished in Messrs. Laird's dock?—Quite so, Messrs. Laird, in a sense, were sub-contractors to them; they had no official relation to us.

O.S.

Sir Robert Mowbray—continued

4131. Messrs. Vickers were the only people you had to deal with?—Messrs. Vickers were the only people we had to deal with.

Mr. Goddard.

4132. Have you totalled up these penalties which have been waived?—I am not in the position to give the sum total. I have looked through the figures in the total here, and it is only a matter of addition to make out the total.

4133. As I make it, it amounts to 120,108*l.*?—I will accept that statement.

4134. So far as I can gather, the only penalties which were enforced amount to 282*l.* 10*s.* I suppose those were mostly cases of small builders?—They were not penalised simply because they were small, they were penalised because the circumstances led us to the conclusion that we could justly enforce the penalties in those cases, and we accordingly did enforce them.

4135. It is a little unfortunate that the large contractors always escape and the little ones always get caught?—That is not the way in which it is brought about.

4136. That may not be the intention, but on the face of the figures it appears like that. Those amounts where the penalties were waived were all very large amounts?—Let me take the case of the "Euryalus," for instance, which I have just mentioned; there were substantial reasons for not enforcing penalties there. It so happened that in that case we were dealing with a large builder, but that is a mere accident.

4137. But I am not speaking of that one case only, the amounts in all the other cases are large amounts?—Let me take the case of the "Duncan" or the "Cornwallis," we were under the obligation to supply the contractors at certain times with armour. We failed in that obligation, and we could not enforce the penalty.

4138. Does the same explanation apply to the case of the "Monmouth"?—It is not the same explanation in the case of the Monmouth.

Mr. Gibson Bowles.

4139. Did you fail through the failure of a contractor to supply you with armour?—We failed through the failure of the armour-plate maker to supply us with armour-plates, simply because we were making an enormous demand upon them for tonnage to be supplied concurrently with a change of practice in getting better qualities of armour.

4140. Have you got no penalties out of the armour-plate contractors who failed you and

made

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Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B.,
Mr. MILLER, C.B., and Mr. SMITH, C.B.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 15.—General Statement of Penalties—
*continued.**Mr. Gibson Bowles—continued.*

made you fail to the other contractors?—We could not enforce any penalties against the armour-plate manufacturers.

Sir Brampton Gurdon.

4141. Would that armour-plate be included in the total of 1,256*l.*, penalties waived in the case of Naval Ordnance Stores?—No.

4142. Was there no penalty enforced in regard to Naval Ordnance Stores?—That is not in my department, and I cannot answer that question. I am only saying that the armour-plate is not included in that sum of 1,256*l.*

Sir Frederick Banbury.

4143. Is there any advantage in putting in these penalty clauses as they are never enforced?—I think there is very great advantage. As a matter of fact, I think the Committee will find as time goes on that a considerable number of cases of liquidated damage for late delivery have been enforced. They have not come yet before the notice of this Committee, but the Committee will find that the state of things indicated by this table will, in future, be altered and very much improved.

Sir Robert Mowbray.

4144. To what do you attribute that change?—It is attributable partly to a change in legal procedure, whereby our contracts are drawn up on a basis which gives us more ample powers of obtaining penalties, or liquidated damages as they are now called in the documents. And as regards the difficulty in connection with armour, the improvement would be on account of the greater facilities we have at present in obtaining supplies of armour.

4145. Do you think it is attributable to the fact that this Committee has often urged the point?—The representations of this Committee are, of course, always very closely scrutinised and acted upon where practicable, to the advantage of the service.

PAYMENTS TO CONTRACTORS BEFORE CONTRACTS
ARE SIGNED.*Chairman.*

4146. (To Mr. Kempe.) Have you had any answer to your application to the Admiralty in regard to this matter referred to in paragraph 30 since you wrote your report?—Yes; I have had a reply from the Treasury.

4147. Will you tell us what the reply is?—I have the Admiralty reply here, and the Treasury decision upon it. (Mr. Gordon Miller.) I am rather anxious at this point to correct a statement in the last paragraph of the Admiralty letter to which Mr. Kempe refers. In the reply which we sent to the Comptroller and Auditor-General we stated in the last paragraph of our

NAVY APPROPRIATION ACCOUNT, 1903-1904.

Vote 15.—Payments to Contractors before
Contracts are Signed—*continued.**Chairman—continued.*

letter "that all the contracts are now signed." I find that three contracts have not yet been signed, but they are about to be signed. I thought it better to make that correction at once.

4148. Do you observe the legal opinion given by the Treasury Solicitor that he does not consider a guarantee as equal to the signing of a contract?—Yes. The last paragraph of the Admiralty letter, to which I have just referred, also adds: "It is hoped that no further necessity will arise for payment of advances in anticipation of signing of formal contracts." It will only be under very exceptional and pressing circumstances that such things will be allowed in future.

4149. The reasons for doing it were that you could not settle the form of contracts?—Yes; very great complications arose in arriving at a specification which was agreeable to both parties and to the Law Officers.

4150. Then now you have settled upon the form of contract?—Practically.

4151. And they have to sign it before you pay?—In future, yes.

Mr. Goddard.

4152. Was there any work done on account of this money that was advanced?—Work was done and the money was paid with the sanction of the Treasury as an exceptional case.

4153. Are these cases in which you are very much tied up to certain contractors?—They are cases where we are dealing with certain contractors who, I think, alone can supply the articles.

4154. Such as Messrs. Vickers, Sons, and Maxim, and Messrs. Armstrongs, and one or two others?—That is so.

4155. You used the expression just now that complications arose in arriving at "a specification agreeable to both parties." I suppose it is for the Admiralty to lay down in the specification what it wants?—I should rather have said the specification and the conditions of the contract. There is an officer from the Admiralty present to-day, who deals with these matters, if you wish him to give evidence.

Chairman.

4156. I think we are satisfied if you say it will not occur again—you have settled on the form of contract?—Yes.

Mr. Goddard.

4157. It is quite clear that it will not occur again?—Yes; that is the decision of the Admiralty, so that, except in most exceptional cases at any rate, it cannot occur in future.

4158. I do not like it being put in that way "except."

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[Continued.]

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 15.—Payments to Contractors before
Contracts are Signed—*continued.*Mr. *Goddard*—*continued.*

"except in most exceptional cases." I think it ought to be a downright pledge?—I quite see your point. In our letter to the Comptroller and Auditor-General we said that it was hoped that no further exception would arise.

Mr. *Gibson Bowles.*

4159. (To Mr. *Kempe.*) Have you got the correspondence here; do you propose to put it in?—I have it here. The Admiralty stated in their letter that "all the contracts are now signed," so that there would be no occasion to go further, and I was prepared to take the letter as it stood.

Chairman.

4160. Are you satisfied with the result?—I was satisfied, because the last clause in the Admiralty letter (which I understand Mr. Gordon Miller now says is withdrawn) said that all contracts were now signed, and therefore the question I understood might be regarded as at an end; but I understand now the contracts are not all signed, and as the Treasury do not appear to be quite satisfied with the position of affairs, perhaps the correspondence had better be put in (*handing in the same—vide Appendix*).

Mr. *Gibson Bowles.*

4161. I see the Treasury reply on the 17th April is rather important—perhaps you will read it?—"Sir, the Comptroller and Auditor-General having forwarded to the Lords Commissioners of His Majesty's Treasury a copy of your letter of the 13th ultimo respecting payment made in 1902-3 and 1903-4 in anticipation of the signing of contracts for hydraulic gun machinery, I am to request you to state to the Lords Commissioners of the Admiralty that, while my Lords are glad to observe that all the contracts in question have now been signed, they cannot regard as satisfactory the explanations furnished in your letter. My Lords, who had not gathered that the Admiralty were practically relying on the good faith of the contractors, observe that no further necessity is expected to arise for payment of advances in anticipation of the signing of formal contracts. Their Lordships of the Admiralty will agree with this Board that before a liability is originally incurred, its scope should be clearly defined and subsequently embodied in the mutual obligations involved by tender and acceptance. If this be arranged at the outset on the basis of previously ascertained Admiralty requirements, there should be no difficulty, my Lords apprehend, in concluding a formal contract embodying those mutual obligations without the subsequent necessity of altering the original terms and conditions.

O.3.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 15.—Payments to Contractors before
Contracts are Signed—*continued.*Mr. *Gibson Bowles*—*continued.*

4162. (To Mr. *Gordon Miller.*) You see that letter of the Treasury raises rather a serious aspect of the matter, and you will also see that the sums involved here are very large, 89,000*l.* in 1902-3, and no less than 494,000*l.*, or nearly half-a-million, in 1903-4?—The sums involved in the three contracts I referred to which are not yet signed are much below that. The expenditure up to the present time has been 138,000*l.* for 12-inch mountings, and 90,000*l.* for 9.2-inch mountings.

4163. Pardon me: the Comptroller and Auditor-General reports to us that during the year 1903-4 instalments amounting to 494,000*l.* were paid before the signing of the contracts. (To Mr. *Kempe.*) Is not that so?—Those are the figures we had. (Mr. *Gordon Miller.*) I was only alluding to those three cases.

4164. I am speaking of the whole. You understand now what I am referring to?—Yes.

4165. These are very large sums, and you have heard the expression of the Treasury opinion; have you anything to add to the statement you have made?—I have nothing to add beyond that the payments have been made with general Treasury authority; and should the Committee desire to have any details as to the causes which have brought about difficulty in getting the signature of these contracts, I would submit that an officer present who has dealt with the thing throughout could give you an idea of the difficulty involved.

4166. I am dealing rather with the point of principle?—I quite understand the honourable Member's objection on the point of principle. I think that is fully recognised by the Admiralty.

4167. I hope they will feel themselves admonished in this respect, that this should not occur again. You observe they are very large sums?—Yes.

Mr. *Goddard.*

4168. Before these payments are made are the goods delivered to the Admiralty?—No payment of that description is made without a certificate from the overseer that a certain amount of work is done.

4169. But it may be in the contractor's yard?—Yes, it is in the contractor's yard, but the position of the contractors we are dealing with in this case I think places any difficulty of that sort rather out of the question.

4170. Is it more than one contractor that is concerned here?—The contractors are Messrs. Vickers, Sons, and Maxim and Messrs. Armstrong.

Mr. *Gibson Bowles.*

4171. That is as regards the hydraulic gun machinery?—Yes.

4172 (To

14 July 1905.] Mr. CHALMERS, C.B., Mr. KEMPE, C.B., Mr. GIBSON, C.B., [Continued.
Mr. MILLER, C.B., and Mr. SMITH, C.B.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 15.—Payments to Contractors before Contracts are Signed.—*continued.*

Chairman.

4172. (To Mr. Chalmers.) Are you satisfied now as to the position the question is in?—No money ought to be paid until a binding contract is made, and short of that the Treasury cannot be satisfied in view of the opinions expressed in the past by this Committee.

Mr. Gibson Bowles.

4173. (To Mr. Gordon Miller.) I hope you thoroughly realise that?—I thoroughly realise that, and it is realised at the Admiralty.

Sir Robert Mowbray.

4174. As I understand, these three contracts which you referred to have been signed now?—Several have been signed, but there are three outstanding that have not been signed; the form of those contracts is very nearly settled. It will be referred to the Solicitor almost immediately.

Mr. Goddard.

4175. I take it the specification is agreed upon but the legal contract is not drawn?—That is the position.

4176. They are working on the specification?—They are working directly to specification now.

RETIRING GRATUITIES AWARDED BY THE ADMIRALTY.

Chairman.

4177. With regard to paragraph 31 I believe there has been some re-arrangement as to the way in which these sums should be charged?—Yes, there has.

4178. What are they going to be charged to?—As regards the gratuity of 17*l.* 16*s.* paid to a pensioner messenger it is agreed that the more appropriate classification would have been Vote 15, D—that is the "Civil Pensions and Gratuities"—a non-effective Vote.

Sir Robert Mowbray.

4179. As regards one of these payments I gather that the Comptroller and Auditor-General seemed to have doubts whether it was admissible at all?—That was in the case of the Commissionaire. The formal sanction of the Treasury to the grant in question has now been given. But it has been arranged that so far as any such gratuity is given in the future, the Treasury will be communicated with in the first instance. (Mr. Kempe): It has also been decided that it should be charged to a different Vote. (Mr. Gordon Miller): Yes, to Vote 15, D, in future. (Mr.

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 15.—Retiring Gratuities Awarded by the Admiralty.—*continued.*

Sir Robert Mowbray—continued.

Kempe): That is an important point, because Vote 15, D, is a sub-head that might meet it.

4180. Then you do not object to its being paid out of public funds; you only object to the footing upon which it was put?—We objected to its being charged to that particular sum which is placed at the Admiralty's disposal for particular purposes.

4181. Now, as I understand, you do not object to its being put under another head?—We do not object to its being put under another Vote. Of course it would reduce the amount available for the Admiralty under that other Vote, but the other Vote is legitimate.

Chairman.

4182. It take it you would not have written this last sub-paragraph of paragraph 31 if it had been charged under 15, D, would you?—I think we should have admitted that. I think the statement there is rather too strongly put. There are two differences since that was written. The Treasury have approved it as a charge, and it is now to be put as a new charge under a different Vote, where it would appear to be legitimate.

Sir Robert Mowbray.

4183. You are satisfied now?—Yes.

IRREGULARITIES IN CASH ACCOUNTS AND PAY CERTIFICATES.

Chairman.

4184. With regard to the irregularities of payment on board H.M.S. "Hannibal" referred to in paragraph 32, the Paymaster referred to there has retired from the service?—That is so.

4185. There has been no practical loss of public money?—There has been no loss of public money.

4186. It was only an irregularity in the way he was acting; he was drawing for preceding months, or something of that sort?—In the first instance, when he was superseded, he kept back a considerable amount of balance of public money in his hands until he had prepared his accounts. He then forwarded the accounts to the office with a cheque for the amount he had retained—£1,792. In the second place there was a misunderstanding as to the sum of £173, which he over-credited, and as soon as he was informed of the error he sent us a cheque for the £173. There was a further irregularity, that in bringing to account a quarterly settlement on the payment ledger for seamen and officers he failed to abate a sum of £713 from the amount credited. That error was discovered in office and he was communicated with and ultimately admitted the irregularity and sent a cheque for the £713, which cleared the transaction.

4187 Then

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MR. CHALMERS, C.B., MR. KEMPE, C.B., MR. GIBSON, C.B.,
MR. MILLER, C.B. and MR. SMITH, C.B.

[Continued.]

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 15.—Irregularities in Cash Accounts
and Pay Certificates—*continued.**Chairman*—continued.

4187. Then he was entitled to a pension, was he not?—Yes.

4188. He probably commuted part of that and paid the money out of it?—He commuted half of his pension. He had already before commutation, paid the £1,792 and the £173; the other sum, the £713 was paid after the commutation.

4189. You do not think it necessary to proceed against him as he has retired from the Service and has paid the money?—He has retired, and the money has been paid.

4190. Articles 557 and 1700 of the King's Regulations are to insure that the balance turned over on supersession in such circumstances is that shown by the cash account?—Yes, this particular case is a very exceptional one, and I have been unable to trace that any similar case has occurred in recent years. We have amplified the instructions in such a way as will, I think, make it impossible that it can occur again.

DEFICIT IN PAYMASTER'S ACCOUNTS,
H.M.S. "MARS."4191. With regard to the case of the "Mars," that is a case in which the Captain of the ship, as I understand, did not insist upon the production of the postal orders which would have verified the sum in the Paymaster's hands?—Yes, he accepted the receipt, which had been given by the Assistant-Paymaster, for postal orders which had been placed in his hands in accordance with the regulations to meet small transactions. The receipt given by this Assistant-Paymaster was accepted instead of seeing the actual orders themselves. The Paymaster, of course, was personally responsible for the accuracy of the balance, and he has been made to defray the loss of 96*l.* I may say there again, in order that there may be no misunderstanding as to what a Captain should see when he examines the balance, it has been pointed out

NAVY APPROPRIATION ACCOUNT, 1903-1904.

On Vote 15.—Deficit in Paymaster's Accounts,
H.M.S. "Mars"—*continued.**Chairman*—continued

that any such sums as are in the hands of the Assistant-Paymaster should be produced.

4192. To whom?—When the balance is taken by the Captain.

4193. He will see the postal orders themselves?—Yes, in future he, or the officer who acts with him, will see the postal orders.

4194. (To Mr. Kempe.) Does that satisfy you?—Yes.

Sir Frederick Banbury.

4195. That appears to be contrary to what is stated in the letter on p. 199, because there it is stated: "My Lords do not consider his omission to do so calls for any explanation from him, nor do they regard his action as being in contravention of Article 557 of the King's Regulations"?—It was not considered that his action was actually in contravention of the Regulations. In the case, for instance, of Medical Sick Mess Fund, which is a separate item, though it is part of the Paymaster's balance, the sum is not produced when the balance is taken, and the receipt from the Fleet Surgeon for the amount is accepted. In the case of these postal orders the Regulations imply that a certain sum is to be placed practically in the Assistant Paymaster's hands, and we think that the Captain did not infringe any Regulation by accepting that receipt, as he is authorised to do so in the case of the Fleet Surgeon. But in order to remove any misapprehension as to that we have amplified the Instructions by saying that with only the exception indicated in Article 1691 (that is, the Fleet Surgeon's Account) all other money is to be produced.

Chairman.

4196 (To Mr. Kempe): You are satisfied with that?—Yes, with the new Regulations.

(The witnesses withdrew.)

Tuesday, 18 July 1905.

MEMBERS PRESENT :

Sir Frederick Banbury.
Mr. Gibson Bowles.
Mr. Victor Cavendish.
Mr. Cohen.
Mr. Goddard.
Sir Brampton Gurdon.

Sir Arthur Hayter.
Mr. Herbert Lewis.
Sir Robert Mowbray.
Mr. Pym.
Mr. Yerburgh.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. J. A. KEMPE, C.B., Mr. H. J. GIBSON, C.B., Mr. GORDON W. MILLER, C.B. called in ;
and Examined.

NAVY APPROPRIATION ACCOUNTS, 1903-4.

STORE ACCOUNTS OF THE NAVY.—DOCKYARD STORES.

Mr. F. W. BLACK, called in ; and Examined.

Chairman.

4197. You are Director of Stores?—Yes.

4198. And you answer for these Store Accounts?—Yes, for the Naval Stores.

4199. You will observe in the first paragraph of the Comptroller and Auditor General's Report there is an increase of 218,898*l.* in the year, of which 210,282*l.* arises under Naval Stores, and 8,616*l.* under Dockyard-made Machinery?—Yes.

4200. I wish to ask whether you have, as the Army now have, any special standard to which you work up for Stores?—Yes.

4201. Have you a fixed quantity?—We have, of course, to provide for two services—first of all the Dockyard services, that is to say, shipbuilding and the proper maintenance of dockyards ; and secondly, what we call the sea stores of ships ; those are stores used afloat. For the sea stores of ships we have definite allowances fixed for each ship. We are able to largely fix our reserves on the quantities that are allowed to the ships. We know from experience practically what quantity a battle-ship for instance will use in a certain period, and we base our reserve quantities upon that. Of course there may be

Chairman—continued.

greater wear or tear on a particular commission or under particular conditions of service. We have to allow a margin for that. Then for Dockyard services estimates are prepared by the Shipbuilding and Engineer Officers of the Dockyard.

4202. But it is not quite the same practice as that of the Army, is it? It is not a fixed quantity of stores, but rather an estimate you make according to the numbers you have afloat?—Yes. We are guided by two things. First of all the number of ships of different classes in commission and their conditions of service ; and secondly, on the dockyard side, according to the amount of ship building or the amount of repairs we expect. Then for what I may call our common stock—articles such as paint or canvas or oil—we are guided a great deal by our past expenditure. In some cases that is the best guide we can get for assessing the requirements for the following year.

4203. You think that is a better practice than having fixed quantities?—For certain groups of stores we do fix the quantity now. We keep just sufficient to go on with to keep us out

18 July 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. MILLER, C.B., and Mr. BLACK. [Continued.]

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Store Accounts of the Navy.—Dockyard Stores
—continued.

Chairman—continued.

out of trouble, so to speak, and meet any emergency which arises, until we could obtain a further supply from the contractors, the idea being to keep the reserves at as low a basis as is consistent with carrying on the work.

Mr. Yerburgh.

4204. I wish to ask why the actual increase is so much over the estimate. Can you explain why there was this large increase over the estimate?—There were two reasons for that; the first reason was that there was a certain falling off in the requirements as compared with the estimate. We got a certain amount of surplus stock through that cause, and that we allowed for in the estimates of the succeeding year. The second cause was that the balance of adjustment of prices and Stock transactions generally gave us rather a higher value at the end of the financial year, and that was allowed for in the succeeding year, of course.

STOCK OF STEAM VESSEL COAL BELOW
ESTIMATE.

Chairman.

4205. Then with regard to paragraph 2 I observe there is an increase of 159,041*l.* in the value of steam coal—is that again a variable quantity, or have you any standard up to which you work?—We have a standard; we have a certain number of months' expenditure according to the distance of the station from England. For instance, on the China Station we ordinarily keep a certain number of months' stock, and in a station nearer home we keep a smaller stock: that would be based upon the estimate of issues furnished to us by the naval Commander-in-Chief for the particular squadrons.

4206. According to the strength of the ships?—Yes, according to the strength of the ships.

STATEMENT OF LOSSES AND DEPRECIATION OF
NAVAL STORES AND STEAM VESSEL COAL
DURING 1903-4.

Chairman.

4207. With regard to paragraph 3: Can you give us any explanation of this large depreciation on "obsolete and superseded stores."—As regards the mair items mentioned by the Comptroller and Auditor-General under the head of "Salvage Fittings," I may say it was the former practice to fit His Majesty's ships with fittings for undertaking salvage work. After a great many years' experience the Admiralty came to the conclusion that it was no longer necessary to continue those fittings; but we had a certain

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NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Statement of Losses and Depreciation of Naval
Stores and Steam Vessel Coal During 1903-4
—continued.

Chairman—continued.

stock which had to be disposed of. Then with regard to the blocks, which are the next item mentioned, they were old pattern pulley blocks of different descriptions. A good many of them have been converted and altered to the new pattern, and then when the new pattern finally established itself it was found inconvenient to have these two blocks of different strengths side by side, and so we gradually weeded out our stock.

4208. And you got rid of blocks representing this amount?—Yes. Then with regard to torpedo nets, there was a new and much improved pattern introduced into the Service. We kept the old pattern for some time on the chance of its being wanted by the War Office or for the purpose of defending ports and so on; and finally finding that there was no use for it we had to dispose of it. Of course its value was practically old wire and nothing more.

4209. Then with regard to this depreciation of electric cable amounting to 1,720*l.*, has there been any blame attached to the Admiralty Officer who examined and tested this cable?—No, I think none whatever, nor do I think really there was any blame attachable to the contractor. It was simply that the Admiralty required the cable to stand very difficult conditions of storage. We have to keep a stock of electric cable for mining purposes at certain foreign stations. We have been experimenting a great many years with a view to finding out the best conditions of storage. Expert officers on the spot every year select a certain number of these cables which seem most likely to deteriorate, and send them home, so that the stock abroad should always be in the best condition. When the cable comes home it is examined by expert officers from the "Vernon," and in some cases it was found that it had not stood the storage. Some makers have been more successful than others in making a cable that would stand a particular climate.

4210. At the present moment you are going through experiments to test what will be the best type of cable, as I understand?—Yes; a great many steps have been taken in that direction. We have revised the specification and introduced a system of storage at the contractor's works so as to allow a period in which any chemical action between the insulation and the core of the cable might be set up. That was supposed to be one of the causes of deterioration, and it could not be detected by the Admiralty officers when the cable was taken fresh from the manufacturer's works. Now the manufacturer holds the cable for three months before we take it away.

4211. With regard to the loss of the "Ventnor," which is referred to in paragraph 4, I think it was referred to last year, but I do not quite remember what the circumstances were. Did she founder in Sydney Harbour?—She foundered on the coast of New Zealand. She was bound from New Zealand to China with New

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Zealand

[8 July 1905.] MR. KEMPE, C.B., MR. GIBSON, C.B., MR. MILLER, C.B., and MR. BLACK. [Continued.]

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Statement of Losses and Depreciation of Naval
Stores and Steam Vessel Coal During 1903-4
—continued.

Chairman—continued.

Zealand coal. The question at issue between the Admiralty and the owners was whether we could recover. Under the Charter Party we could recover if we could prove negligence against the master; but the master of the vessel went down with his ship, and the difficulty was to secure witnesses who could prove negligence. Finally, on the advice of the Crown Solicitor at Sydney, we were obliged to content ourselves with accepting the 500*l.* that was offered by the owner.

Sir Brampton Gurdon.

4212. The ship was not insured, I presume?—
No. The Admiralty never insure.

DEFICIENCIES IN STORE ACCOUNTS AND IRREGU-
LARITIES IN STORE ACCOUNT KEEPING.

Chairman.

4213. From paragraph 5 it appears that there have been great deficiencies in the stocktaking at Portsmouth. But I understand that you have made arrangements for the future for a special stocktaking by which all stocks shall be taken every year?—Yes, of our coal sacks. We find on the results of the 1904-5 surveys we are getting much more satisfactory stocktaking.

4214. Again, in regard to paragraph 6 as regards the taking of stock of teak timber at Sheerness Yard, you have introduced a new arrangement, have you not?—Yes.

4215. You think that that will prevent these irregularities in future?—Yes, I hope so.

4216. May I ask why the amount representing this deficiency is not included in the statement of Losses Irrecoverable?—I think it was an accidental delay in getting the papers to the Accountant-General after they had been seen by the Auditor.

4217. Have they now been carried to Balances Irrecoverable?—We could put it in the next year if that is desired. You will notice the same remark in regard to one or two other things in the Report here. The explanation is the same in each case.

4218. I did not quite gather what you said the explanation was?—It is an accidental delay in getting the papers to the Accountant-General to include in the Appropriation Accounts.

4219. Being small sums they can easily be included next year?—Yes.

Mr. Goddard.

4220. Have you now made arrangements that an Admiralty Naval Store Officer shall be present at all the stocktakings?—Yes, that is the case. I may say that in the case of the timber what happened was this: Ship-building officers

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Deficiencies in Store Accounts and Irregularities
in Store Account Keeping—continued.

Mr. Goddard—continued.

were in the habit of making a selection of a number of logs. They did not always take away the whole number at one time, and sometimes the store-house man did not think it necessary to be present when the logs which had been previously selected were actually removed, so that this error of 10 logs crept in.

Chairman.

4221. With regard to this discrepancy of 180 yards of duck cloth at Portsmouth, referred to in paragraph 7, the investigation by a committee of inquiry there did disclose some considerable irregularities in the way of false entries being made, and the books being mutilated?—Yes.

4222. That was a serious matter?—Yes; it was considered so serious that the Admiral Superintendent held a special Court of Inquiry on the spot, but he found himself unable to run the matter home absolutely.

4223. But this store-house man and writer appear to have been reprimanded and debarred from any increase of pay. I suppose there was grave suspicion against them?—In spite of the fact that the local Court of Inquiry was unable definitely to fix the responsibility, the Admiralty came to the conclusion that there was no doubt that these two men had been guilty of irregularities, and so these steps were taken.

Mr. Goddard.

4224. I suppose there was very strong suspicion that this warehouseman was a guilty party?—I think there was. I should not like to say that there had been absolute misappropriation of stores. The original error might have been perfectly *bona fide*, and due to errors of measurement and so forth, but there was at least an attempt to conceal the error, whatever its origin.

4225. It was considered that a reprimand was sufficient punishment?—At that stage, yes; but we removed the man to another duty, and at a later date, when he was found unsatisfactory in that duty and absented himself from the yard, he was finally discharged from the service.

4226. Then he has been discharged from the service, has he, now?—He has been discharged from the service.

TEST OF STORE ACCOUNTS AND NAVAL
YARDS ABROAD.

Chairman.

4227. (To Mr. Kempe.) With regard to paragraph 8, I gather that the test examination which you applied in the case of Trincomalee was satisfactory?—Yes.

4228. In regard to the three other cases referred to in the paragraph, they have been postponed till next year owing to the accounts arriving

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NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Test of Store Accounts and Naval Yards Abroad.
—continued.

Chairmen—continued.

arriving too late?—Yes, that is so in the case of Esquimaux and Wei-Hei-Wei.

4229. In regard to paragraph 9, do you wish to say anything about the Haulbowline accounts which are reported as irregular?—Nothing more than that they were generally unsatisfactory; the details of the stocktaking were unsatisfactory.

4230. (To Mr. Black.) You have made some changes with regard to the staff at Haulbowline, have you not?—That is so.

4231. Have you issued more stringent regulations?—I went over personally and looked into the conduct of the duties there.

4232. And you came to the conclusion that this arose in consequence of the inexperience of the men employed?—That is so.

4233. And now you have got better men?—Yes, I think we shall not have this trouble again. I may add that the errors in themselves are not very serious.

Mr. Goddard.

4234. Had these men never been employed on stocktaking before?—I should not like to say that entirely, but they had had very little experience of it. Of course, a man must make a beginning, but he generally does that under the supervision of some men who have had more experience than himself.

4235. It is the same class of man that has always made the stocktaking?—Yes, but then we test them by an official who goes over from the Admiralty. We have a very good test upon the way in which the local people do the stocktaking.

4236. You have a storekeeper, I suppose?—Yes.

4237. That is not the man who does this particular stocktaking?—It is taken by his staff.

4238. Why is this man called a "writer"?—He is a storekeeper's clerk; he is called "Writer," *i.e.*, a clerk.

4239. A storekeeper must be a man of some experience, I presume?—That is so, but he of course would not be able to spare very much of his time to the actual details of stocktaking himself. We expect him to do a certain proportion. It is laid down that he does a certain proportion.

4240. I should have thought he would be the very man who would take the stock?—No; stocktaking with us means the details of counting or weighing or measuring the very large quantities of stores. We expect the head store officer to go through the storehouses practically every day, and to verify a proportion of the stock, but we do not expect him to be able to take stock of 10 or 15 thousand items, that is, to weigh or count or check the details, or a large proportion
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NAVY APPROPRIATION ACCOUNTS, 1903-1904.
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—continued.

Mr. Goddard—continued.

of them; that is done by his clerk and checked by an official from the Admiralty.

Mr. Herbert Lewis.

4241. But the keeping of the ledgers is different work from the stocktaking?—Yes.

4242. You have not the same staff, I presume, to keep the ledgers?—It is done by the same class of men, but not the same individual. One individual is keeping the ledger, but that individual would not be allowed to take stock of the articles in his ledger.

Mr. Pym.

4243. Are the Admiralty practically taking stock at all times of the year?—The stocktaking is going on more or less throughout the year. The Admiralty gives orders at the end of each quarter for a certain portion of stock to be verified by the local officials. Then we keep two Admiralty officials continually going round the yards making surprise stocktakings.

4244. Is that what you call "taking remains"?—Yes, it is the same thing; this is taking remains.

Mr. Goddard.

4245. What I wanted to get at was this. There is a book kept, I presume, of goods that are sent out and goods that come in?—Yes.

4246. On these surprise visits of the clerk who takes the stock, I suppose he looks at that book and he takes the balance. He adds that to the stock that was there before, and then he says, I want to see if there is so much stock left?—Yes.

4247. He does that constantly just by way of a check?—Yes.

4248. Is that entered in the stock books?—Yes.

4249. But surely as a matter of stocktaking that is no use unless it occurs at the same time in each year?—Yes, the ledger balance is taken on the date the actual stock is verified or counted in the storehouses. The process is this. Suppose I go to Haulbowline to take stock; I give no notice to anybody what items I propose to take until the very morning I go out to the storehouses. I then take away from the warehouseman the book which he keeps. I take the corresponding office book and have the two books balanced and compared. We actually count what is in the storehouses and compare it with the balances in the two books, and bring out a list of all the differences.

4250. I understand that that is of course a very valuable check upon the stores as a check; but when an ordinary commercial man makes a stocktaking he cannot get at his balance unless he takes his stock at the same time each year. When you call this a stocktaking, it is not a stocktaking in the same sense as that?—Not quite

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—continued.

Mr. Goddard—continued.

quite in the same sense as that. Our stock-taking is going on; we are verifying and comparing more or less all the year through. We expect to complete the whole inside of about three years. Instead of having a commercial stocktaking and shutting up the business altogether for two or three days, and taking everything at hand at one time, we take a portion at the end of each quarter, or at other periods throughout the year, and we cover the whole ground inside two years in the smaller establishments, and three years where the stocks are very large.

4251. I do not know what the extent of the stock is, but do not you think it would be a better plan to close the yard altogether for a week, or whatever time might be necessary, and to have the stocktaking of the whole at one time of the year?—I think there would be two difficulties in the way of that as regards the Naval Stores. First of all I think the stocks are so large that we could not cover them in the time. In the second place, I am afraid it would be a serious hindrance to the work of the establishments if we suspended all issues for shipbuilding and for repairs and for sea stores of ships whilst we were taking stock.

4252. Of course, your yards are very large, but take a yard like the Palmer Shipbuilding Company or Armstrong's. They take stock at the end of the year within a week or ten days. I do not see that your stock is so very much

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Test of Store Accounts and Naval Yards Abroad
—continued.

Mr. Goddard—continued.

larger than those places that you could not adopt the same plan as they do, which is the proper commercial plan?—I think there would be difficulties, as I say, from the extent of the stock and also from the interference with the current work of the establishment which, of course, is of a national character rather than like the business of a private individual.

4253. But still you make a return of the stock at the end of the year?—Yes.

4254. I understand your stocktaking is more in the nature of a check than anything else?—Yes.

4255. At the end of the financial year you do not go by what the stocktakers find but by what the books show?—That is so; we value the stock by what the books show at the end of the financial year to get the value of the stock as shown in the Navy Estimates.

4256. You take the stock at the end of the previous year and add to it the stock that has come in during the year and deduct what has gone out, and so arrive at your balance. You rely for a check upon the fact of there having been those other stocktakings during the year?—Yes. The actual quantities of each individual item remaining on change are separately valued to obtain the total value of stock.

4257. That does not seem so satisfactory as the commercial way of arriving at a stocktaking?—That is the process.

VICTUALLING YARD STORES.

Sir HENRY F. R. YORKE, K.C.B., called in; and Examined.

Chairman.

4258. You will observe in paragraph 10 it is stated that as regards this increase in the value of the Stocks of Victualling Stores, and so on, of 185,605*l.*, the greater portion, that is to say, 142,896*l.*, is due to the increase under the head of Provisions?—Yes.

4259. You gave us evidence the other day to the effect that the new scale of victualling was not turning out a great success; that the men were not taking provisions, but were taking money instead?—Yes.

4260. Then I suppose this increase in provisions will not occur again; you will not take such a large quantity?—No; this will not occur again.

4261. This occurred during the time you were experimenting, before you knew what would happen?—Yes, during the experiments.

4262. Is there any particular standard to

Chairman—continued.

which you work up in regard to all these articles?—The standard is that the Fleet, should we go to war, should be ready to take the sea all over the world.

LOSSES AND CONDEMNATIONS.

4263. With regard to the losses and condemnations of Victualling Stores, referred to in paragraph 11, I see they are due in part to condemnations of provisions under the system of Age Limits introduced at the recommendation of the Committee on Navy Rations. That is a new thing, is it not?—That is a new thing.

4264. What is the limit in that case?—The limit, of course, varies with the different articles.

4265. But you had no limit before, had you?—We had no limit before.

4266. This

18 July 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. MILLER, C.B.: Mr. BLACK, [Continued.
and Sir H. F. R. YORKE, K.C.B.

NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Losses and Condemnations—*continued.*

Chairman—*continued.*

4266. This, I suppose, is in order to preserve the provisions in a better state?—That is so.

4267. Then I observe there is a loss of 5,000*l.* through stocks of potato being rendered obsolete by the introduction of the revised ration?—Yes, they were abolished as a ration, and we had no alternative but to sell them.

Sir Brampton Gurdon.

4268. Did you sell them?—Yes, we sold them.

4269. And that represents the loss on the sale?—That is the gross loss, and does not take into account the amount realised by their sale.

4270. Is it the same with regard to the provisions condemned under the system of Age Limits; you do not destroy them, do you?—We destroy all articles that are unfit for human food, and included in that is all preserved meats.

4271. You destroy them after a certain time, do you, irrespective of whether they are actually bad?—Irrespective of whether they are good or bad. The question was raised, if you remember, a good many years ago by Mr. Plimsoll in Parliament, and it was then decided that no meat that was condemned should ever be offered for sale.

Chairman.

4272. Then there were stocks of serge which were rendered obsolete by the decision to discontinue the issue of that particular description?—Yes; the serge was introduced in 1890. There was a Committee on Clothing which was presided over by Admiral Andoe, and this thinner serge was introduced. At first it was fairly taken up by the men, but gradually it ceased to be taken, and we had to make up our minds what to do, and it was thought advisable to sell it before it deteriorated. That accounts for the loss there.

Mr. Cohen.

4273. Does this figure of 4,100*l.* represent the loss?—That represents the gross loss, without taking into account the amount realised by their sale.

Mr. Goddard.

4274. Has this experiment, which has resulted in condemning a certain proportion of these

NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Losses and Condemnations—*continued.*

Mr. Goddard—*continued.*

provisions under the system of Age Limits, proved to be really satisfactory? Is this tinned food?—Some of it is tinned, some of it is not.

4275. Do you open the food to see what condition it is in?—No; there is an automatic limit which is fixed now.

4276. I understand there is a fixed age limit, and after so many years you put the food away?—Yes.

4277. Whether it is good or whether it is bad?—Yes.

4278. What I want to know is this: Whether looking at that food, it has proved to be bad?—In some cases. In most cases I should say it was not bad; but if it is issued to a ship it may be some year or so before it comes into use, and it may have to go to a hot climate.

4279. Has experience proved this to be a good regulation as regards this system of age limit, do you think?—I think so.

Sir Brampton Gurdon.

4280. There would be no harm in disposing of these provisions, would there, if they were still good?—We do dispose of them if they are still good, with the exception of meat, which I have mentioned.

4281. Do you not think it right to dispose of it in the case of meat?—No; it was decided by Parliament that that should not be done.

Chairman.

4282. I think you answer also for the Victualling Yards Manufacturing Accounts, do you not?—Yes.

VICTUALLING YARD MANUFACTURING ACCOUNTS.

Chairman.

4283. (To Mr. Kempe.) The Manufacturing Accounts of the Home Victualling Yards have been subjected to a local test by the officers of your Department, have they not?—Yes.

4284. Have you found any point that calls for any remark?—No; it is all quite satisfactory.

(*Sir Henry Yorke* withdrew.)

NAVAL ORDNANCE STORES.

VALUE OF STOCK ON 31ST MARCH 1904.

Rear-Admiral SIDNEY M. EARDLEY-WILMOT called in; and Examined.

Chairman.

4285. Have you any standard of stocks of Naval Ordnance Stores which you work up to?—The standard of efficiency for war is the only standard we have.

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Chairman—*continued.*

4286. Are they fixed quantities?—They are fixed quantities; there is a certain outfit and reserve for every ship on the effective list.

4287. You are bound to keep very near to that

18 July 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. MILLER, Mr. BLACK, and [Continued.
Rear-Admiral S. M. EARDLEY-WILMOT.

NAVY APPROPRIATION ACCOUNTS, 1903-4.

Naval Ordnance Stores—*continued*.

Value of Stock on 31st March 1904—*continued*.

Chairman—*continued*.

that?—That standard is fixed by the Board of Admiralty, and I am responsible to see that that is maintained.

4288. The stock of Naval Ordnance Stores is slightly increased, I see, this year?—There is a slight increase in the value of the stock.

Mr. Gibson Bowles.

4289. What is that due to?—It is due probably to a fortuitous concurrence of circumstances. As a matter of fact, this valuation of stock is only a very approximate thing. I have never yet ascertained that it is of the slightest use to anybody. It is simply a valuation of our stock on shore at depots at a particular time of year. It might vary the day after by 100,000*l.* or 200,000*l.* The stock on board ships is not valued at all; therefore, if two ships were to pay off the day after that valuation was taken, it would run the valuation up, perhaps, another 200,000*l.*

4290. That does not, of course, include the value of guns afloat?—It includes nothing afloat; it is all the stores on shore.

COMPARISON BETWEEN NAVAL ORDNANCE DEPARTMENT STORE RECORDS AND ORDNANCE FACTORIES RECORDS.

Chairman.

4291. Has the statement with regard to the quantity of stores in Ordnance Factories for repairs which is referred to in paragraph B been received yet?—No, we have not yet completed that transaction. If the Committee will allow me I will just read a memorandum which I have prepared upon that matter, because I think it will make the point clear. It is rather a complex question, and it goes back a great many years. The fact is, large quantities of Stores belonging to the Navy are constantly being sent to the Ordnance Factories for repair, etc., and the total quantity of such Stores in the Factory is always very considerable. Prior to 1897 there was no regular system of periodical check between the Naval Ordnance Store Department and the Ordnance Factories with a view to verifying the existence of the Stores supposed to be in the Ordnance Factories. This was not considered satisfactory, and the Naval Ordnance Officer at Woolwich was instructed to prepare lists of Stores which by his records should still be in the Ordnance Factories, and arrange for these lists to be verified and agreed to by the Ordnance Factories. As this involved the investigation of past transactions extending over many years, the work could only be proceeded with slowly, both by the Naval Ordnance

NAVY APPROPRIATION ACCOUNTS, 1903-4.

Comparison between Naval Ordnance Department, Store Records, and Ordnance Factories Records—*continued*.

Chairman—*continued*.

Department and the Ordnance Factories. The South African War also intervened, and delayed these investigations. For the bulk of the Stores in question an agreement has been arrived at, but there are still some outstanding items which the two Departments at Woolwich are endeavouring to clear up. Under the system now in force a detailed comparison between the two Departments is effected every half year, and all discrepancies at once cleared up. The system works well, and will prevent any confusion in future.

4292. Then that will be completed and sent to the Comptroller and Auditor-General probably before his next Report?—Yes, that will be so. There are certain items which we thought we ought to endeavour still further to clear up. There has been no loss of Stores, but there probably has been some confusion of Stores as to whether, when they had been repaired, they went back to the Army or to the Navy. We now go every six months to the Ordnance Factories and say: "According to our books these Stores were with you for repair. Is that so or not?" They now keep books which show what they have received, and we settle the matter and come to an agreement so that there can be no possible confusion in future.

Mr. Cohen.

4293. The Comptroller and Auditor-General tells us in this paragraph that he inquired in 1903 whether this comparison had yet been made. You say now that this comparison is made every six months?—Yes.

4294. But from February, 1903, to July, 1905, is a little more than 2½ years?—But the 1903 inquiry related to transactions in 1898-99, and so forth.

4295. But the comparison, which I understand you to make half-yearly, can be furnished now to the Comptroller and Auditor-General, cannot it?—But he does not want it now; he wants the comparison for these back transactions which we are endeavouring to clear up. (Mr. Kempe.) We want a basis to start from for audit. We have no basis as yet (Admiral Eardley Wilmot.) We shall have a basis when these items are cleared up. (Mr. Kempe.) What Admiral Eardley Wilmot is speaking of is a comparison from year to year.

4296. It is quite clear that it is advisable, and even necessary, to have a reliable basis to start from. (To Admiral Eardley Wilmot.) Do you see your way to being able to give that reliable basis?—I think we shall come to an agreement. It is a matter of Stores to the value of a few thousands—two or three thousands—that we are not yet in agreement about. The Stores have not been misappropriated, but it may be on returning Stores after repairs they have gone to the Army and

18 July 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. MILLER, C.B., Mr. BLACK, [Continued.
and Rear-Admiral S. M. EARDLEY-WILMOT.

NAVY APPROPRIATION ACCOUNTS, 1903-1904
Comparison between Naval Ordnance Department, Store Records, and Ordnance Factories Records—*continued*.

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Comparison between Naval Ordnance Department, Store Records, and Ordnance Factories Records—*continued*.

Mr. Cohen—*continued*.

and not to the Navy, and we are trying to clear that up.

4297. When you do come to an agreement you will be able to arrive at a basis and to make a comparison every half year?—Yes.

4 98. But you require this basis of comparison in the first instance?—Yes.

Mr. Cohen—*continued*.

4299. That you think you will be able to give to the Auditor-General in a short time?—I think so, certainly.

(Rear Admiral Eardley-Wilmot withdrew.)

WORKS DEPARTMENT STORES.

Colonel E. RABAN, C.B., R.E., called; and Examined.

Chairman.

4300. As to paragraph 14 the decrease in the value of stock of Works Stores is not a decrease in the amount of stock, is it, but only a reduction in the estimated value of the stock?—That is all.

Mr. Goddard.

4301. With regard to the stone referred to lower down in the paragraph, is there any means of ascertaining what was the cost of raising this stone?—Yes, it is quite easy to ascertain what the stone cost to raise. We pay a fixed rent and royalty for the stone and we schedule the cost of labour.

4302. But it says in paragraph 14, "no cost for getting had been charged during this period." That means the cost of raising the stone, does it not?—Some of the stone is got by convict labour. The story really is this: we were rather accumulating the better qualities of Portland stone; we have been rather cheapening our buildings, and we do not use so much of that quality of stone in the buildings, and the other yards had not been drawing on Portland for such large supplies, and the best stone was accumulating. The commoner stone is used for the repair of the breakwater. We wanted to get rid of our accumulations. This was not the result of selling to the outside public, but it was to induce the officers in charge of works at various other ports to draw this stone so as to get rid of our surplus stock. Therefore we reduced the rate.

4303. Under that arrangement how could this stone become appreciated to such an enormous extent as this difference between 6s. 4½d. and 12s. 6d. per ton—that relates to the kerfstone. You did not sell to the outside public, I understand?—In the year 1896 the cost of royalties used not to be charged. The 600l. a year royalties and 35l. a year rent used not to be charged to the cost of getting the stone. I thought that was not right from an accounting point of view, and therefore I gave orders that the whole cost

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Mr. Goddard—*continued*.

should be charged. Therefore in 1899 we charged the whole cost of getting the stone to the stone. That has led to the figure that is set out in the stock ledgers.

4304. Are you referring to this figure of 12s. 6d.?—Yes.

4305. Then I do not understand the sentence in the paragraph which says that "Between 1896-7 and 1902-3 the rate for this stone had been appreciated from 6s. 4½d. to 12s. 6d. per ton, although no cost for getting had been charged during this period."—In the earlier part of the period there was no cost of getting charged. I can give you the exact year in which it began. I think 1899 was the year in which I decided that it ought to be charged, and we appreciated the price considerably.

4306. Now, I see you have written it down from 12s. 6d. to 3s. per ton?—We have written down the various qualities at various rates.

4307. I am speaking of the kerfstone?—The kerfstone of course is much cheaper.

4308. Is that available for outside purchases now?—No, it is solely for issue to ourselves or other Government Departments. The Prison Department take some from us, and the War Office are taking some from us.

4309. Does that mean that when you supply this kerfstone to any other Department you charge them 3s. ton?—Yes.

4310. But does it cost you 12s. 6d.?—No, not the kerfstone.

4311. How has the cost been reduced?—The cost has been reduced by writing down the various values. They had them valued at much higher rates until I wrote it down during that year on purpose to get rid of it.

4312. My point is this: Does 3s. per ton cover the cost of getting the stone?—No, it does not. It is an arbitrary price fixed in order to get rid of this large stock which was accumulated.

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4313. When

18 July 1905.] Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. MILLER, C.B., Mr. BLACK, and [Continued.
Colonel E. RABAN, C.B., R.E.]

NAVY APPROPRIATION ACCOUNTS, 1903-1904

Works Department Stores—*continued.*

Mr. Goddard—*continued.*

4313. When you have got rid of that stock will you go back again?—Yes, if there is sufficient demand for it.

4314. What object is there in charging other Departments a price which is below what it cost you?—Because I wanted to get rid of this particular quality of stone while we go on quarrying to get the larger blocks for the breakwater. We must go on quarrying and we cannot go on accumulating the stock, and it pays us better to sell it and get rid of it than to accumulate it to take up room—we must not accumulate it indefinitely.

4315. And you let these other Departments get it at this low price to their advantage?—Yes; and yet I cannot get it sold fast enough.

ERRORS IN WORKS ACCOUNTS AT THE ROYAL
NAVAL COLLEGE, GREENWICH.

Chairman.

4316. With regard to the discrepancies in the stocktaking at Greenwich, referred to in paragraph 16, I gather you have traced these discrepancies to the work of a storehouse man who has been discharged?—Yes.

4317. In addition to that you have got an Accountant Clerk who cheques daily the receipts and issues?—Yes.

4318. (To Mr. Kempe.) Are you satisfied with the improvement that has been introduced?—Yes, we are satisfied now.

GENERAL STORE ITEMS INCLUDED IN
BALANCES IRRECOVERABLE, 1903-4.

4319. (To Mr. Kempe.) You heard the Accounting Officer mention that the Store Items included in Balances Irrecoverable will be included in next year's accounts?—Yes.

Mr. Goddard.

4320. With regard to Store Items on pages 52 to 56, which are referred to in this paragraph 17, there is a case amongst these items which rather looks as if a proper check was not kept on the amount of stuff delivered. I notice one item which is not very large, but which I should like to ask about, namely, the third item on page 52, which says, "Value of a number of kegs of white lead found deficient upon delivery of two cargoes at Sheerness Dockyard." I should like to ask whether these Stores are taken in such a way as to render it impossible to know whether the proper amount is delivered or not. (Mr. Black.) You see the instance I am referring to on page 52?—Yes.

4321. In that case the difference was small, but the differences vary considerably in this

NAVY APPROPRIATION ACCOUNTS, 1903-1904.

General Store Items included in Balances Irrecoverable, 1903-1904—*continued.*

Mr. Goddard—*continued.*

list of items. What I want to ask is this, is it possible that these Stores are taken in such a way as to render it impossible to know whether they have been delivered or not. Is that what this entry means?—No, it is not that. In that case there was rather an imperfect check of the kegs as they came out of the hold of the ship. Then they were stowed in an insecure place prior to the official check for payment purposes. There was an incorrect receipt given, or rather it may have been a correct receipt, for we have never been able to find out what became of the kegs of white lead after they were landed in the Dockyard, simply because they were not taken as they should have been and placed under lock and key then and there, which is the arrangement we have since adopted.

4322. This was at Sheerness?—At Sheerness Dockyard.

4323. Could the same thing happen at any other Dockyard?—I hope not. The proper procedure is that everything delivered by a contractor goes into a store-house under lock and key. As it comes out of the railway truck or ship, as the case may be, the quantity is provisionally checked, then it is checked before payment by two clerks independently. This was due to carelessness in storing the kegs of white lead after they were landed from the ship.

4324. What I understand is that until now there has never been an adequate check upon the receipt of Stores. Is that so?—No, I do not think that is so. This was an individual case of negligence at Sheerness.

4325. But this has now induced you to adopt a method of checking?—Yes, for that particular yard.

4326. Now you enforce individual responsibility, do you not?—Yes.

ATTEMPTED SALVAGE OF NATAL GOVERNMENT
FLOATING DOCK.

Chairman.

4327. (To Mr. Black.) With regard to this question of salvage which is referred to in paragraph 18, have you any precedents to go upon with regard to the recovery of loss of stores on board the "Monarch" in trying to save this floating dock?—I think the Admiralty throughout these salvage cases act on Counsel's opinion. As I understand the matter, in the ordinary case of assistance rendered by one of His Majesty's ships to a merchant ship in distress, it is not usual to make a claim for stores lost or damaged or condemned by the ship rendering the assistance.

4328. Not in regard to merchant ships, whether the attempt to save is successful or not?—Not in the case of merchant ships; but in the case where His Majesty's ships undertake that work.

on

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., Mr. MILLER, C.B., and
Mr. BLACK.

[Continued.]

NAVY APPROPRIATION ACCOUNTS, 1903-4.

Attempted Salvage of Natal Government Floating Dock—*continued.**Chairman—continued.*

on behalf of a salvage association, it depends upon whether the salvage is successful or not. I remember such a case where the salvage was successful, and in that case the Admiralty was paid for the Stores consumed. Counsel's advice was quite clear that the whole thing turned upon whether the salvage was successful or not. In the case of the Natal Floating Dock the salvage was unsuccessful, and the Admiralty, acting on Counsel's advice, made no claim.

4329. That is a deliberate opinion, is it?—That was the deliberate opinion of Counsel, that the whole thing turns upon whether the salvage is successful or not.

Mr. Gibson Bowles.

4330. As I understand, if you salvo for the owner of a merchant ship, and are successful, you do not claim for loss of Stores?—Not for loss of Stores.

4331. But if you salvo for a Salvage Association and are successful, you do make a claim?—Yes.

4332. What is the difference in principle?—That is a question I am not able to answer. But that is the practice as I understand it.

Chairman.

4333. I do not see any difference in principle whether you are successful in the salvage or not. The loss of Stores to you is the same?—Accord-

NAVY APPROPRIATION ACCOUNTS, 1903-4.

Attempted Salvage of Natal Government Floating Dock—*continued.**Chairman—continued.*

ing to the lawyer who advised in this case, the whole thing turned upon whether the salvage was successful or not.

Mr. Gibson Bowles.

4334. Am I not right in saying that it is one of the general duties of the Navy to save both life and property in the way of ships, however the occasion might happen?—I think, in the case of ordinary assistance given to a distressed merchant ship, no claim is made for Stores. But I take it there is no reason why we should put money into the pockets of a salvage company.

4335. You draw a distinction between a salvage company and a merchant ship in that respect?—Personally I am not drawing any distinction; I am merely stating what has been the practice at the Admiralty, or what has been the advice of Counsel.

Chairman.

4335*. In this case it is not a question of putting money into their pockets, but taking money out of their pockets?—In the case of a salvage company I take it, on the terms under which they undertake their business they get a large sum of money if they are successful, and nothing if they do not succeed. In the present case the Admiralty followed Counsel's advice; we thought we had no other course.

(Mr. Black withdraw.)

GREENWICH HOSPITAL AND TRAVERS' FOUNDATION.

Mr. CHARLES H. R. STANSFIELD called in; and Examined.

Chairman.

4336. It appears to me that you added to your capital account by four sums which are given here—namely, 98*l.* received for land sold with the consent of the Treasury, 966*l.* received as compensation for damaged land, 54,138*l.* for sundry loans repaid; and 46,987*l.* the proceeds of sale of certain Bombay, Baroda, and Central India Railway Debentures and Local Loans Annuities?—Yes.

4337. As I make it, that amounts to 101,000*l.*?—Yes.

4338. You have spent 99,000*l.* in the purchase of an estate at Alston and in the purchase of freehold ground and other rents of property in London?—Yes.

4339.—Then what happens with regard to the

100,000*l.**Chairman—continued.*

other 2,000*l.*; that goes to your balance, does it?—There was a balance outstanding on capital account at the end of the year of 504*l.* only. The difference, with other smaller amounts accruing, was invested.

4340. Then I see you have a very agreeable statement that the income realised exceeded the estimate and the expenditure fell short of the estimate?—That is so.

4341. (To Mr. Kempe.) Have you anything further to report upon this account?—No.

(Mr. Stansfield withdraw.)

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4342. To

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., and Mr. MILLER, C.B.

[Continued.]

NAVY APPROPRIATION ACCOUNTS, 1903-9104.

NAVAL WORKS ACTS, 1903-1904.

COMPARISON OF TOTAL SUM AUTHORISED AND TOTAL EXPENDITURE TO MARCH 31ST, 1904.

Colonel E. RABAN, C.B., R.E., recalled; and further Examined.

Chairman.

4342. (To Mr. Gordon Miller.) The total amount authorised under the Acts from 1895 to 1903 is 21,517,000*l.*, is it not?—Yes.

4343. It appears that 16,401,000*l.* had been issued to the Admiralty up to the end of the year under review, leaving a balance of 5,116,000*l.*; but you did not expend all that 16,401,000*l.* to the extent of 228,000*l.*, leaving you a total of 5,344,304*l.*, which may be used?—Yes, for the service of another year.

INCREASE IN TOTAL ESTIMATED EXPENDITURE
IN 1903-4.

4344. (To Mr. Kempe.) In the third paragraph of your Report you say that "the total estimated cost of Naval Works scheduled in the Naval Works Act, 1903, is 31,640,859*l.*," but then that is a great deal more than is authorised by the Acts, is it not?—The 31,640,859*l.* is the total estimated cost—not the amount voted—21,517,000*l.* is the amount voted.

4345. Will more have to be voted then?—That the Admiralty only can say. I do not know what they require.

Mr. Cohen.

4346. Can they spend more than is voted?—No, they cannot spend more than is voted.

Chairman.

4347. (To Mr. Gordon Miller.) You will have to come to Parliament for an additional sum for this, will you not?—That is so. A Bill is about to be presented.

Mr. Goddard.

4347*. Did you come to Parliament for this extra money in the next year, because this, of course, is referring to the year ended 31st March, 1904. There is a difference of 4,000,000*l.* for which I understand the Admiralty would have to get extra powers. (To Mr. Kempe.) Is that so?—Yes.

4348. Did they come for extra powers?—They have not spent the amount voted yet. There is no occasion to come to Parliament until the amount voted is spent. The first figure of 31,640,859*l.* is the estimated cost, and the second 21,517,000*l.* is the amount voted. They have not spent the money yet.

Chairman.

4349. (To Mr. Gordon Miller.) With regard to the first of these new items, Chatham Dockyard extension, there was a sum of 50,000*l.* taken for that—that was the only sum taken for it, but the Admiralty have entered

Chairman—continued.

into liabilities, particularly with regard to the building of a wall, which will cost in all 70,000*l.*?—Yes.

4350. How do they propose to proceed. The Treasury decline the responsibility of that?—By a regrettable misunderstanding the token sum of 50,000*l.* which was granted by the Act for this purpose for certain preliminary works at Chatham was exceeded by about 20,000*l.* We ought in the first instance to have applied to the Treasury for authority to have expended that money, but as I said, by a regrettable misunderstanding, that application was not made.

4351. Do you propose to save it out of the Estimates of next year?—(Colonel Raban.) The total estimate will be increased in the Bill which is about to be presented to Parliament, which would fully cover it.

Mr. Gibson Bowles.

4352. (To Mr. Gordon Miller.) You are responsible for this over expenditure, are you not?—I am responsible in a way for it, but part of the misunderstanding was that I was not advised at the time that it was proposed to incur the expenditure. When I was informed of it, I pointed out the necessity for writing to the Treasury on the subject, or my predecessor did.

4353. But you are the Accounting Officer?—Yes.

4354. Do you mean to tell this Committee that this large increased expenditure was incurred without any reference to you, and without your knowledge?—No.

4355. You do not say that?—I do not say that. The expenditure was not incurred. The liability was incurred without reference to me by a misunderstanding.

4356. Would you say what was the misunderstanding?—There was this misunderstanding. A contract was about to be entered into for a sum which caused an excess over the 50,000*l.* which was allowed, and that contract was entered into without communicating with me in the first instance. May I point out that had the contract been within the amount allowed I should not have been referred to, but the rule is that if any excess is anticipated the Accountant-General should be communicated with. I think this is almost an exceptional case.

4357. Who entered into that contract without telling you?—The Director of Works. (Colonel Raban.) I entered into the contract.

4358. Did you not refer to the Accountant-General?—It was a contract not within my powers, but of a nature which does not usually go to the Accountant-General.

4359. Did you know that this was 20,000*l.* beyond your powers?—The sum involved in this contract

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Colonel E. RABAN, C.B, R.E.

[Continued.]

NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Increase in Total Estimated Expenditure
in 1903-1904—*continued.*

Mr. Gibson Bowles.

contract was not 20,000*l.*—the total liability was 20,000*l.* But of course it was not done by me without the Board's authority; it was done by the authority of the Board.

4360. Do you say it was not 20,000*l.* in excess?—The contract was not—it was not the case of one contract involving an excess of 20,000*l.* There was other expenditure, and the total excess incurred is 20,000*l.*

4361. Were the Board of Admiralty aware that they were exceeding their powers to the extent of 20,000*l.*?—The Board of Admiralty were certainly not aware of that. They were under a misapprehension as to the necessity of going to the Treasury. The Board thought it was not necessary to go to the Treasury in this case.

4362. It is not the question of going to the Treasury that I am upon. The Board was aware that only 50,000*l.* was available on the Vote, was it not?—Yes.

4363. They authorised liabilities to the extent of 70,000*l.*?—Yes.

4364. What I want to ask is whether the Board were aware they were exceeding their powers in doing this?—The Board were aware they were exceeding the 50,000*l.*, but they conceived they were within their rights in doing it.

4365. (To Mr. Gordon Miller.) I gather you conceived otherwise?—My predecessor, the moment the circumstances came to his notice, which was not till after the contract was entered into, pointed out that the transaction was irregular, and that Treasury sanction should at once be applied for. As I said at first it was in the nature of a regrettable misunderstanding. (Colonel Raban.) I think the nature of the misunderstanding was this. In the course of the debate on the Bill, although the Board had only given in the Bill a token sum of £50,000, it actually states a figure of 4½ millions, and the Chancellor of the Exchequer agreed that if the Committee wished it in the committee stage of the Bill that sum of 4½ millions should be inserted as the total estimate. Under those circumstances the Board considered that they might incur liability for a larger sum than the £50,000 token sum, as they were not proposing to incur any expenditure for the two years in excess of the £50,000. I think that fact greatly influenced the Board, that they were not proposing to incur and have not incurred for two years any expenditure in excess of the £50,000, and had told Parliament the total estimate of 4½ millions for the work, and had laid in some room in the House of Commons a plan of what they intended to do. Under those circumstances they felt they were entitled to do that. According to the letter from the Treasury they should have gone to them first. It was a misapprehension of that kind.

4366. (To Mr. Chalmers.) You have heard the explanation just given, what do you say to the matter now?—Undoubtedly the Admiralty as a
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NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Increase in Total Estimated Expenditure
in 1903-1904—*continued.*

Mr. Gibson Bowles—continued.

Department should not have incurred any liability beyond that token sum.

4367. (To Mr. Gordon Miller.) May we take it that more care will be exercised in future?—I think that such a case will not recur.

Sir Frederick Banbury.

4368. May I call attention to the letter dated the 27th April, 1904, from the Treasury to the Secretary of the Admiralty, from which it would appear, if I understand it aright, that a few days before this correspondence took place the representative of the Admiralty actually stated to this Committee that in future no liability in excess of the token provisions would be undertaken. He said, "The Treasury holds us to that, that is the obligation upon us." Therefore if that statement was made last year, it does not appear to have had much effect?—(Colonel Raban.) I think the difference was that the Admiralty conceived they had given in the House of Commons an estimate of 4½ millions, and that the Government had expressed their willingness to include the 4½ millions in the schedule of that Bill; and I think the Admiralty opinion was that that entirely altered the circumstances as regards this item.

4369. But in regard to that, there are a good many matters discussed in the House of Commons, and a good many statements made as to what might or might not be done; but is it not the rule that you do not found your proceedings upon a statement made in the House of Commons if that statement is not carried out?—I am afraid I am not in a position to say as to that. I did not know whether I was right in referring to a debate in the House, but that is what did happen in the debate.

4370. Do not you take the Bill as authorising you, and not what anybody may have said in the House of Commons when that Bill was under discussion?—I think so, certainly.

Mr. Cohen.

4371. (To Mr. Kempe.) May I call your attention to a passage in the Treasury letter of the 25th June, 1904, where the Treasury say they are "not prepared to share the responsibility which their Lordships of the Admiralty have incurred in the matter, and they have caused copies of the correspondence to be communicated to the Comptroller and Auditor-General for his information." With that the Treasury washed their hands of it. What remedy, if any, resides in your hands in consequence?—It was intended that the Comptroller and Auditor-General should bring the matter before the Public Accounts Committee for their decision.

4372. That is what you are doing now?—Yes.

4373. Because, if I may say so, you endorse the view of the Treasury that the Admiralty exceeded their powers?—Certainly I endorse what

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[Continued.]

NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Increase in Total Estimated Expenditure in
1903-1904—*continued*.*Mr. Cohen—continued.*

what Mr. Chalmers said just now; I can take no other view.

4374. (To Mr. Gordon Miller.) Do you recognise, as indeed you must, when the Treasury and the Comptroller and Auditor-General have taken that view that what you did was in excess of your powers? I suppose we may take it that you acknowledge that an irregularity did take place, and it will not take place again?—That is so; we will use every effort to stop it.

4375. You recognise that you must confine yourself to the amount authorised by the token Vote?—I do entirely. The excess liability will be dealt with in the Works Loan Bill about to be presented to Parliament. There was no actual excess expenditure over provision in the period covered by the Act of 1903. Provision in the Bill will be for 70,000*l.* for Chatham Dockyard Extension, thus providing for the excess that will come in course of payment subsequent to 31st March, 1905.

Mr. Gibson Bowles.

4376. I observe that for the Naval Establishment at Rosyth a token sum of 200,000*l.* is taken; you have not spent more upon that, I presume?—No, nor have we incurred any liabilities in excess of that sum.

NAVY APPROPRIATION ACCOUNTS, 1903-1904.

COMPENSATION AT MALTA.

Chairman.

4377. (To Colonel Raban.) In regard to paragraph 6 the compensation which had to be paid to contractors engaged upon the Malta Dockyard Extension was owing to the laches of the Maltese contractors, was it not?—Yes.

4378. Was this 6,610*l.* which the Admiralty have paid, paid to the English contractor for completing the work left by the Maltese contractors?—That is the amount of compensation practically that was paid him for not having his site handed over to him at the right time.

4379. That amount goes to the English contractor?—Yes, that is what we consider a fair price.

4380. That was thoroughly gone into, I suppose?—Very fully indeed.

(Pembroke Jetty, &c., settlement with contractors not yet arrived at.)

Chairman.

4381. (To Colonel Raban.) This paragraph refers to a question which is not yet settled, I understand?—No, we are still awaiting legal action on it.

(Mr. Gordon Miller and Colonel Raban withdrew.)

DOCKYARD EXPENSE ACCOUNTS.

Sir JAMES WILLIAMSON, C.B., and Mr. W. G. ROFF, called in; and Examined.

Chairman.

4382. (To Sir James Williamson.) You are the Director of Dockyards and you answer for these accounts?—Yes. As regards the accounts part they will be replied to by Mr. Roff, the Inspector of Dockyard Expense Accounts.

COMPARISON OF ESTIMATE AND EXPENDITURE,
1903-1904.*Chairman.*

4383. (To Mr. Roff.) In paragraph 2 of the Comptroller and Auditor-General's Report you will observe that the total "Direct Charges" were less than the Estimate by 17,830*l.*, but the "Indirect Charges" have exceeded the Estimate by 44,519*l.*; there is a net expenditure in excess of the Estimate of 26,689*l.*; is that correct?—Yes.

4384. Will you not have to get a vote of Parliament for that?—I think not.

4385. (To Mr. Kempe.) Will they have to get a Vote of Parliament for this excess on the Estimate for Dockyards?—No; not for the expenditure shown on the programme, so long as there is no excess on the Navy Vote.

Mr. Gibson Bowles.

4386. I observe in paragraph 2 that the expenditure fell short of the programme by 19,884*l.* under the head of New Construction, and by 2,000*l.* under Sea Stores, while it exceeded the Estimate by 4,301*l.* under the head of "Reconstruction, Repairs, etc."; so that the total "Direct Charges" is less than the estimate by 17,830*l.* Was that difference between the estimate and the actual expenditure unavoidable?—Yes, quite unavoidable.

STATUTORY PROGRAMME, 1903-1904.

4387. In the last sub-paragraph of paragraph 3 you will observe that the Establishment Charges amounted to 17,959*l.* in excess of the Estimate, and it is stated "that the actual expenditure has not been distributed on the basis assumed in the Estimate." What is the difference between the basis on which it was distributed and the basis of the Estimate?—It was considered that the method of distribution was not quite correct, and a Departmental Committee sat and took the matter into consideration and made certain recommendations to the Treasury, which were agreed to by the Treasury and

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Mr. ROFF.

NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Statutory Programme, 1903-4.—*continued.*Mr. Gibson Bowles—*continued.*

and the Comptroller and Auditor-General, but which the Public Accounts Committee objected to.

4388. When was that?—That was the year before last, I think.

4389. But have you carried out this different distribution since?—No, we have reverted to the old system of distribution.

4390. That reversion is the explanation, is it, of the difference between the Estimate and the actual expenditure under it?—Quite so.

Mr. Cohen.

4391. In the same sub paragraph I observe that the Treasury have not sanctioned the revised Estimate yet. The Comptroller and Auditor-General draws attention to that. He says, "The excess is due to the fact that the actual expenditure has not been distributed on the basis assumed in the Estimate, for the reason stated in paragraph 4 of last year's report, viz.: "The sanction of the Treasury to a revised scheme of apportionment was subsequently withdrawn." What action did you take in consequence of the withdrawal of the sanction of the Treasury?—It was too late for alteration of the Estimates; we reverted to the old system of distribution.

4392. I do not see how you cured the defect under the Estimate?—The effect of the revised method of distribution was to slightly reduce the charges to shipbuilding as distinct from those written off to Fleet, Port and National Services.

4393. The Treasury did not sanction that revision, did they?—They did at first.

4394. They withdrew their sanction afterwards?—Yes, but not until the Estimates had been published in that form.

4395. On the withdrawal of their sanction, how did that affect your action at the Admiralty?—We considered that the only thing that could be done was to revert to the old system.

4396. And you did that?—We did that.

Mr. Goddard.

4397. I observe in paragraph 5 the Comptroller and Auditor-General states that "No explanation appears to be given of the delay in completing the 'Challenger' and the 'Cadmus.'" Can you give us any explanation of delay?—The "Challenger" was completed within 22 days of the close of the financial year, and the "Cadmus" within 4 days.

4398. That was considerably beyond the period of the contract, I suppose?—They were dockyard built ships.

4399. (To Mr. Kempe.) I suppose you did not know that?—This Report was written before accounts came under review by my Department.

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NAVY APPROPRIATION ACCOUNTS, 1903-1904.

VARIATIONS BETWEEN ORIGINAL ESTIMATES AND ACTUAL COST OF CONSTRUCTION OF NEW SHIPS.

Chairman.

4400. (To Sir James Williamson.) With regard to all these vessels enumerated in the Table in paragraph 6 of the Report, they seem to be very largely in excess of their estimated expenditure?—That is so. There are considerable excesses. I think I mentioned the case of the "Drake" when I was before the Committee last year. At that time the accounts were not completed, but now I find that the Dockyard work was 20,334*l.* in excess, and the contract work of 10,719*l.*; and of course the incidentals would go up correspondingly, causing an addition of 9,600*l.* odd, making the total excess over estimate, 40,665*l.* The excess expenditure is largely due to carrying out structural changes decided upon after the building Estimate was approved. But apart from that it is considered that the Dockyard Officers under-estimated the cost of this ship—she was the first armoured cruiser being constructed at that yard.

4401. You are speaking of the "Drake"?—Yes, the "Drake." That vessel was built at Pembroke and completed at Portsmouth. I mentioned before, I think, that the cost invariably runs up very considerably when two yards are brought into the operation of building. That all tended to affect the cost. The practice now is, in building ships at Pembroke to wholly complete them at the yard in the hope that greater economy will result.

4402. It is obviously a great expense to move a ship from one dockyard to another?—Yes, but at that time Pembroke was not adapted for completing a ship. The staff has been strengthened since in order that that should be done.

4403. But do you think generally that any attempt could be successful to bring the Estimates presented to the House of Commons more in harmony with what the real expenditure would be?—Yes, it has been my aim right through to do that, but there are so many disturbing elements. The designs are handed over in an incomplete state, and the drawings of the ship are in a very incomplete state, and when we are building new types of vessels it is really very difficult to tell exactly what the cost will be.

4404. But is not that a fault in the original drawing of the Estimates?—I will not say it is a fault in the original drawing of the Estimates, but the plans are certainly handed over so far as the Dockyards are concerned in a very incomplete state. Many of the details have to be worked out after the ship is commenced and after the Estimates have been rendered.

4405. Do you think you could rectify that at all?—That is being done. We are stiffening up the specifications more in detail now than they have been done hitherto with a view to remedying that.

4406. Would

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COST OF DOCKYARD WORK AT CHATHAM GREATER
THAN AT DEVONPORT.

Chairman—continued.

4406. Would you explain to us why there is this difference in the cost of labour and materials between a ship built at Chatham and a ship built at Devonport, referred to in paragraph 7; I observe that the difference is 31,000*l.*?—I think that includes labour as well as material, does it not?

4407. They both include labour. The labour is 10,759*l.* in excess, and the materials 20,289*l.* Both those vessels were built for amounts less than those on the approved Estimates. The ship that was built at Devonport comes out cheaper, and that is attributable to the fact of better facilities and more modern machinery existing at that yard at the time in question for constructing this ship than at Chatham. The arrangements at Chatham have been very much improved since then. I believe there will be very keen competition in future between those two yards. As regards material, it is somewhat difficult to trace fully the cause of that difference, but it is partly due to the material in the Chatham ship being bought at a somewhat higher rate than in the case of the Devonport ship. Very often if we have got a surplus stock of material we would naturally aim to use that in the first instance. I know as a matter of fact that was so in the case of the "Albemarle" here. But although the "Albemarle" started at about the same date, part of the material that was in stock and worked into the "Albemarle" was bought at a higher rate than the then market price when she was started.

4408. Would that account for the difference of 20,000*l.*?—That would not account for the full difference. Some of the differences resulted from making more of the detailed articles in the yard than they did at Devonport. That has all been stopped—everything that we can buy from outside at a cheaper rate than it can be produced in the Dockyards we do. Orders have been given to that effect.

4409. You think there will be very active competition between the two yards in future?—I am sure there will be. I think the Committee will see that in some of the figures which are now before them further on in this respect.

Mr. Goddard.

4410. Would those same explanations apply to the case of the "Prince of Wales" and the "Queen"?—Yes, that is so.

4411. In the case of the "Prince of Wales," were the materials bought at a higher price?—Yes, and I am reminded there is also an extra cost for armour in the case of the "Prince of Wales" over the "Queen."

4412. But they are very much the same Estimates?—Yes, that is quite true, but there was this slight difference in the cost of the armour which accounts for 11,000*l.*

4413. But, I take it, that is not the difference that is meant here. If there had been a distinct

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Cost of Dockyard Work at Chatham greater
than at Devonport—*continued.*

Mr. Goddard—continued.

difference in the Estimate the Comptroller and Auditor-General would not have called attention to the fact of the difference as he has done?—I do not think the Comptroller and Auditor-General is calling attention to the difference in the Estimate in this case, but to the difference between the cost of the two ships.

4414. He is calling attention to the fact that in the two yards there is a marked difference in the cost of similar ships?—Precisely.

4415. If the ships were not on a par as regards armour and so forth, the difference would be accounted for without going into any difference as between the yards?—I am not quite sure that the Comptroller and Auditor-General looks into those details. I think he simply makes his deductions or reports from the actual results. (*Mr. Kempe.*) Estimates were identical and the type of ships being supposed to be the same, one would have imagined the same price would work out. (*Sir James Williamson.*) One would naturally infer that, but there are disturbing elements in prices.

4416. I can understand that might be the case with regard to prices, but from the Estimate here one would naturally suppose that the armour was the same in both cases?—It may not turn out to be so. One may have to pay a little more for one ship than another.

4417. I understand you may buy your material better in one market than another?—Yes.

4418. But these ships were armed with the same thickness and the same kind of armour, I suppose?—Well, speaking generally, that is so.

4419. It confuses the matter to say there is a difference in the armour. There may be a difference in buying material as between the two yards, though I should think that would be rather curious?—I thought I had explained that some of the material was in stock, and we had to take that at whatever price we had paid for it. Personally, being responsible to some extent for the actual costs approaching the Estimates nearer than they do, I have thought when we have got anything in stock which we have paid for at a higher rate it ought, for a fair shipbuilding comparison between the two yards to be written down to the then market value; but this is not always done.

Mr. Herbert Lewis.

4420. The "Albemarle" and the "Montagu" were sister ships, were they not?—Yes.

4421. That means, I presume, that the Specification in each case would be exactly the same?—That is so.

4422. On the one ship the cost of labour was 211,000*l.*, and on the other 200,000*l.* Do you still think there were certain disturbing elements which might account for the differences referred to in this paragraph?—I think so.

4423. What are the disturbing elements so far as labour is concerned?—The honourable
Member

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Mr. *Herbert Lewis*—*continued.*

Member was not present when I explained it, but I would like to repeat the explanation for his information. The better results, in my opinion, were obtained by reason of our having a better arranged slip and shops in connection with it at Devonport, and more modern machinery; and the facilities generally were very much better than at Chatham. We think that fully accounts for the difference. And as I said just now as regards Chatham, they have been put on as fully advantageous terms as regards those conditions as Devonport by supplying them with a new shop and modern machines and tools.

Mr. *Cohen.*

4424. That is a question I want to be quite sure about, May we take it that Chatham will hereafter have its machinery and plant organised so as to be as advantageous as experience has proved that at Devonport to be?—That is so.

4425. Now you have just mentioned Pembroke; how does Pembroke compare with Devonport?—In my opinion Pembroke is not in the same efficient state as regards the placing of shops as either Chatham or Devonport now. Chatham is now quite equal to Devonport.

4426. Is it contemplated you can do at Pembroke that which you inform us has been done at Chatham?—I hope so.

4427. You do not know whether that is contemplated?—I have pressed for it for years, and I hope it will be so.

4428. No decision has been arrived at yet?—No decision in that direction has been given yet.

4429. You think what has been done at Chatham will hereafter result in its turning out its work as economically as at Devonport?—Yes, I should say that if they did not do so then there would be something in the human element to account for it.

Sir *Brampton Gurdon.*

4430. I want to ask with regard to the two schedules on page 219, have you any reason to suppose that you made a more liberal estimate with regard to Dockyard-built ships than you did with regard to contract-built ships?—No, we did not.

4431. Because on Dockyard-built ships you will observe there has been a considerable saving; on contract-built ships there is an invariable excess on every ship?—Yes. My own opinion is that this is one of the results of improved machinery and facilities, and the Dockyard officers no doubt base all their estimates of the cost of those ships on the cost of ships that had been built before on similar lines. It will be seen there are other cases where savings have been made.

4432. But with contract-built ships, I understand, you make your estimate in the same way?

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Sir *Brampton Gurdon*—*continued.*

—I am pointing out that I do not think they made a full allowance for the improved facilities they had, and that that led to these savings.

4433. Do you mean that the Dockyards are more efficient than the contractors?—I would not like to say that. I thought you were dealing with the difference between the Estimate and the actual expenditure, and I suggested that in making the Estimate they did not make full allowance for the improved facilities in the Dockyards, and that may have led to these savings.

COST OF LABOUR AT PEMBROKE IN EXCESS OF ESTIMATE.

Chairman.

4434. With regard to paragraphs 8 and 9 and these cases of the "Essex" and "Drake," would you say whether any steps have been taken to remedy the causes of expense which the Comptroller and Auditor-General calls attention to; namely, "the inexperience of the yard in the work of completing ships, and the lack of suitable jetty accommodation." Has anything been done to remedy that?—As I said before, I believe that the steps which are being taken to improve the machinery have been found to have the effect of more economical building in those Dockyards.

4435. You will observe that the cost of such improvement would very easily pay for itself, because if you look at the next paragraph you will see that the cost of building the "Essex" at Pembroke is infinitely more than it is in the case of the sister ship, the "Kent," at Pembroke?—Yes, the "Essex" was one of those ships that was completed at another yard. But you will also see, if you take Portsmouth, what the advantage of building a second ship has been there. The "Kent" cost for labour 177,000*l.*, but the "Suffolk," which was a sister ship, was produced for 156,000*l.* I admit there is an enormous difference between the cost of the "Kent," and the "Essex."

4436. To what do you attribute that difference?—I attribute it, in the first place, to the arrangements at Portsmouth being very much better than those at Pembroke.

4437. That was what I was putting to you. If you were to expend money in improving Pembroke you would save a great deal upon the ships built there?—Yes, I entirely agree with that.

Sir *Brampton Gurdon.*

4438. What makes the difference between the expenditure on labour on the "Kent" and on labour on the "Suffolk" at the same dockyard?—I have found myself in the private trade, when I was in my late firm, that if you have a second ship to build you can produce her very much

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Sir Brampton Gurdon—*continued*.

much more cheaply than you can the first. Then there is another thing—I have found in the private trade where you are building two ships side by side, sometimes the charges of the two would happen to get a little mixed up together. I do not know whether my friend on my left would admit that that is possible as regards his Department at all. (Mr. Roff.) I should not admit that. I should like to draw attention to the periods occupied in the construction of these vessels; that may perhaps account for the difference in cost. In the case of the "Essex" just over four years was taken in her construction; in the case of the "Suffolk" it was three years only. That is a difference of twelve months. (Sir James Williamson.) Of course, that would also tend to cheapen the work too, no doubt.

Sir Frederick Banbury.

4439. (To Mr. Roff.) Does that apply to the "Kent"?—The time was three years seven months in the case of the "Kent"; that is seven months more than in the case of the "Suffolk."

4440. Why should the "Kent" at the same dockyard take longer to build than the "Suffolk"?—The only reason I can suggest is that the "Suffolk" was the second ship, and you have all your appliances to hand. (Sir James Williamson.) It is very often the case that the money is not voted at the time, and that may account for it.

Mr. Goddard.

4441. Were all these three ships, the "Essex," the "Kent," and the "Suffolk," sister ships?—They were all sister ships.

4442. Were they alike?—Practically.

4443. I understand the explanation with regard to the labour as between Pembroke and Portsmouth, but how do you explain the difference between the cost of materials in those two dockyards?—To begin with the difference is about 11,000*l.* The freight for material would be considerably more for delivery at Pembroke than for delivery at Portsmouth.

4444. Then, if so, may one take it that material will always cost more at Pembroke?—Yes.

4445. Is not that a reason for not building ships at Pembroke; they will always be more costly ships, however you may improve your machinery, if the material comes out more?—I am afraid it would.

4446. Where does the material come from?—A good deal of the material comes from Scotland.

4447. Does it never come round by the west coast?—It may or it may not.

4448. I do not quite see why the freight should be more?—There is a good deal of material delivered at Pembroke which would go by rail.

4449. Would it go by rail from Scotland?—Scotland and the North of England. A good deal of it is drawn from Wales, too.

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Cost of Labour at Pembroke in Excess of Estimate—*continued*.

Mr. Goddard—*continued*.

4450. Do you say the material comes from Wales?—Part of it.

4451. That would be cheaper, would it not, to Pembroke?—No; the cost by railway from Wales down to Pembroke would be more than coming by water to Portsmouth.

4452. Do you say that it costs more to bring iron from some parts of Wales by rail than it does to bring iron from Scotland by water; you bring some of it from Wales?—Yes, some of it.

4453. Surely you would not say that made any great difference at any rate. It does not account for all this difference?—The difference is 11,000*l.*

4454. It is 14,000*l.* if you take the difference in material between the "Essex" and the "Suffolk"?—I would take it in the case of the "Kent" if I may.

4455. Why do you take the "Kent"?—You see there is 2,000*l.* difference there.

4456. But these are sister ships. The material is just the same—the specification is just the same?—The "Kent" is a sister ship, too.

4457. Take the "Kent" if you like; it will serve my argument equally well?—As regards material, the difference is between 12,000*l.* and 13,000*l.*, and what I say is that, speaking generally, the difference in the cost of freight in delivering material at Pembroke as compared with Portsmouth would account for a portion of that difference.

Mr. Herbert Lewis.

4458. I must confess I am still unable to ascertain why the freight should be so much higher in the case of Pembroke. For instance, in the case of anything carried from the west coast of Scotland by sea the ordinary freight would be less to Pembroke than it would be to Portsmouth?—Yes.

4459. Where does the material chiefly come from to Pembroke by rail that you speak of?—May I say that you are taking the material that is delivered at Portsmouth as coming from Scotland. I think that would not be exactly the state of the case, because a good deal of it would come from the east coast of England.

4460. I was asking you the question where it does come from. Where does it chiefly come from?—In fixing contracts for material, of course it is essential and necessary to look not only at the cost at which you can buy your raw material, but also at the freight which would be added to that cost, and of course for Portsmouth and all places on the east coast we buy as much as possible from the east coast.

4461. Let us take it that it does come from the east coast; where does the enormous difference come in in the amount of the actual railage? Are the railway rates so much higher from the east coast to Pembroke than they are down to Portsmouth?—Except in very small portions we would not buy material on the east coast and send

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Mr. *Herbert Lewis*—*continued.*

send down to Wales if we could avoid it. I did not mean my answer to convey that to the Committee.

Mr. *Goulard.*

4462. I understand you to say that in the case of Pembroke you sometimes use Welsh steel?—Sometimes.

4463. And that was brought by rail?—Always by rail.

4464. You would never dream of taking steel from the east coast to Wales, would you?—The bulk of it would go by water. Take the case of steel bought in Scotland for Pembroke, that would probably come from the Clyde district—that would come down the west coast. I think you will find that the freight there would be considerably more than it would be from the east coast of England to Portsmouth.

Mr. *Herbert Lewis.*

4465. The difference would not be very great, would it?—I do not say that it would account for the full amount, but it accounts for it partly.

4466. The paragraph refers to a lack of suitable jetty accommodation. Was not a jetty erected at Pembroke about seven or eight years ago?—Yes, it was finished within the last two or three years.

4467. Does the fact of that jetty having been finished make any difference as to building vessels like the "Drake" and the "Essex" at Pembroke?—Not as regards these ships, but it will do so in future.

4468. Is it recognised that it is an advantage to have a Dockyard at Pembroke in the event of a great Naval war?—That is a question of policy that is rather outside my province. I would not like to commit myself upon that point.

4469. Can you tell me what steps have been taken to improve the machinery at Pembroke?—The very old machinery or obsolete machinery is in process of being renewed—that has been going on now for two years. My idea is that we ought to have a ship-building shop at the head of these slips. That would save a lot of carrying backwards and forwards which now has to be done, and which greatly increases the cost of building the ships.

Sir *Frederick Banbury.*

4470. In view of the great difference of expenditure as between Portsmouth and Pembroke, I suppose it is not contemplated to do any more ship-building at Pembroke?—I cannot foretell what the policy of the Board may be.

4471. That would apparently be the proper policy to pursue?—That would depend upon so many circumstances that I would rather not give an answer to that question. But I do say this, if Pembroke were put upon a proper basis and had proper slips, and proper facilities for build-

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NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Cost of Labour at Pembroke in Excess of Estimate—*continued.*

Sir *Frederick Banbury*—*continued.*

ing ships, I see no reason why they should not be built as cheaply there as anywhere.

Mr. *Herbert Lewis.*

4472. The expenses of living at a place like Pembroke would not be so high by any means, would they, as they would at a place like Chatham or Portsmouth?—That is quite true.

4473. Therefore to that extent, assuming that the machinery was equally good at Pembroke, there ought to be a certain saving in that respect?—That would be so, if we differentiated the rates of wages as between the different yards and districts; but we do not do that. The same rates of wages are paid at all the Dockyards; there is similar treatment throughout all the Dockyards. I agree with the honourable Member that Pembroke men would have a great advantage in the particulars he describes, particularly as regards cheaper house rent.

REPAIRS AND REFITS.

Chairman.

4474. The question of altering the headings for "Large Repairs and Refits" was discussed and it was ultimately decided by the Admiralty to retain the old headings?—Yes.

4475. And that decision remains so?—That is the decision.

4476. It is clearer, is it not, to ascertain what is the exact expenditure under each heading if you keep these headings?—That is so.

EXPENDITURE ON REPAIRS AND REFITS IN EXCESS OF ESTIMATE.

Chairman.

4477. In regard to the Table in paragraph 12, can you tell us why there is such a very large excess in the case of the "Colossus"?—The excess is 41,000*l.*

4478. The excess itself is more than the original estimate?—That is so.

4479. Can you tell us how that excess came about?—The defects were found to be more numerous and serious than was originally anticipated and allowed for, and there were a considerable number of alterations and additions made to the ship. Then the original estimate was based on the assumption that the work would be done in the Dockyard, but it was ultimately decided to put the ship out to contract.

4480. And that cost a great deal more?—It cost a great deal more. That accounts for part of this large difference of 41,330*l.* It is also accounted for, as I say, by the fact that the defects list upon which the estimate of 37,700*l.* was based was found to be much more extensive than

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than was anticipated. On opening up the ship she was found to be in a much worse condition, and required larger repairs than were contemplated.

Sir Bampton Gordon.

4480*. You are not going to put refits out to contract any more, are you?—No, I think not.

Mr. Goddard

4481. Why was this ship put out to contract?—At the time they wanted the ship repaired the Dockyards were so thronged with work that they could not undertake it.

ESTIMATES CONJECTURAL ONLY.

Sir Robert Mowbray.

4482. With regard to the Table set out in paragraph 13 the differences between the original estimate and expenditure are very extraordinary. In the case of the "Centurion," for instance, the original estimate was 34,000*l.* and the expenditure 150,000*l.*, being an excess of 116,000*l.*; again, in the case of the "Crescent," the original estimate was 21,000*l.* and the excess 72,000*l.*; and in the case of the "Hermes" the original estimate was 14,800*l.* and the excess 69,000*l.* Those are enormous differences?—I can give an explanation as to those.

Chairman.

4483. Is it the fact that the vessels were not available for survey when the original estimates were made?—They were not; and there are other explanations if you will allow me to give them.

4484. Certainly?—I can give the Committee shortly the reasons for the whole of these excesses if I may be allowed to do so. In the case of the first ship on the list, the "Cæsar," the amount of excess in that case was 2,000*l.* That is due to the issue of steam-boats and gun-mountings, which requirements were not known when the estimates were prepared.

4485. Will you take the largest one, the "Centurion," where the excess was 116,000*l.*?—In the case of the "Centurion" the difference was very large. The original estimate was intended to cover only ordinary repairs, and then after the Naval Estimates were prepared it was decided to fit this ship with upper deck casemates involving extensive structural alterations, and the supply of armour, and so on.

Mr. Goddard.

4486. Is that properly carried to a heading of "Repairs"?—I think I did use the word "repairs," but I should have used the word "refit."

4487. But you said yourself that it involves considerable structural alteration?—Yes.

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
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Mr. Goddard.—*continued*.

4488. That is not what is really meant by "refit," is it?—It would be re-construction.

4489. Quite so, it is re-construction; it is like making a new vessel altogether. An alteration of that sort would put this vessel into a different class, would it not?—It would improve her fighting qualities enormously.

4490. But it is really just like ordering a vessel of a better class, is it not?—Quite so.

Chairman.

4491. Now will you take the case of the "Crescent," where the excess was 72,000*l.*?—The estimate in that case was based on the assumption that the work would be carried out in the Dockyard, but it was found that it could not be executed in the yards for the amounts provided. The defects proved heavier than were anticipated, and alterations and additions were subsequently decided on. The work was carried out by contract, and the cost was as stated in this Table.

Mr. Herbert Lewis.

4492. Who were the contractors in that case?—I think it was the Thames Ironworks Company. Then if I may continue the reasons for the excess there, of course the cost of these jobs done by contract comes out heavier as compared with the Dockyard charges, because the contractors have their profit. Then in this particular case there was a higher rate of wages paid on the Thames than in any of the Dockyards. Then again in this case as the ship had to lie in the Victoria Docks, there was a good deal of carrying backwards and forwards of material. Then there had to be added other items, such as wharf and dock dues, which do not fall to be charged against dockyard ships.

Mr. Goddard.

4493. You say that the contract charges are heavier than the Dockyard charges?—Yes. When I say "charges" I mean items such as dry-dock dues and dues for lying in basins and the use of tugs. All those things are charged direct by contractors.

4494. But the work generally is more costly under contract than in the Dockyards?—As regards those particular items, it is so.

4495. May I draw your attention to the fact that where we can compare the cost of vessels built under contract and those built in Dockyards, as in the cases given on page 219, the cost is less when they are built by contract than when they are built by the Dockyards?—Yes; that is so in those cases; that is New Construction.

4496. You give us there four cases of first-class battleships built by contractors, and three first class battleships built in our Dockyards, and in all those cases the contract-built ships are the cheapest?—That is so.

4497. That does not carry out the theory you were

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were putting, does it?—I am speaking of repairs; I think it is generally admitted as regards repairs.

4498. Why should repairs be more?—I am explaining why, from my point of view, they are more—I say it is because these dues and these items which I have mentioned are not brought to account against Dockyard ships at all. You do not pay any interest on capital when you place a ship in dry dock; there are no dry dock dues charged against Dockyard ships, and it is the same for your basins. But it is quite different when you are dealing with ships repaired by contract.

4499. Can you say whether charges of the sort you are now speaking of would amount to anything like 10,000?—Yes, I should say they would.

4500. In regard to dues?—Not dues alone, but the items that are not chargeable to Dockyard ships; in the case of large repairs, I should think as regards these the difference would be fully as much as 10,000.

4501. You might easily knock off 10,000 from this amount, and even then the difference would be over 60,000. Therefore it does not affect the difference very seriously when you take them off?—But then take, for instance, wages on the Thames: that alone is a very big item in this particular ship which I am dealing with; I should say they would be fully 15 per cent., and in some cases 20 per cent. more than we are paying in the Dockyards.

4502. When you put a vessel which is to be refitted in this way out to contract, do you make a definite contract with the contractor, or do you leave him to make a charge?—In this particular case no contract was made except that the contractor had to pay the wages current in the district. We agreed to pay the net cost of material less any trade discount obtained by the firm; and in addition to that there was a percentage. I do not remember the exact amount of it now, but there was a certain percentage for establishment charges and a certain amount for profit. To that extent a contract was made.

4503. That is practically no contract, is it?—It is a course that is being followed by nearly all the large steamship lines now.

4504. It is bound to be an expensive one, is it not?—I should say it would perhaps—

4505. It is the most expensive way one can go to work to have any kind of work done, because, as I understand you, they charge you a percentage on the cost of material. That is one item that they charge, is it not?—It may be.

4506. But they do charge that, do they not?—No, pardon me. In some cases, as, for instance, Messrs. Harland and Wolff you pay a percentage on the labour and nothing on the material at all. Of course, there are various ways of making these contracts.

4507. But I understood you to say just now in explaining how this particular vessel was repaired, that they took the material and put a

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NAVY APPROPRIATION ACCOUNTS, 1903-1904.

Estimates Conjectural Only—*continued*.Mr. Goddard—*continued*.

profit on to that and charged you?—They gave it to us at the net cost of material less trade discount.

4508. They charged you the net cost of material plus something put on?—No, not on material, but a percentage on wages.

4509. Then you have no check over materials, have you?—Yes. I have a distinct check over materials, because we have officers who see and initial the issue notes for the class of material that is required for the repair, just the same as in the Dockyards. Those are all brought together and then we have an accountant who goes down, and they have to produce all these issue notes and check them. The whole thing is checked.

4510. Then you pay the prime cost of material?—Yes.

4511. Then you pay those dues which you have been speaking of, and then you pay a percentage on the labour?—Yes.

4512. Only on the labour?—Yes.

4513. Do they get no profit except on the labour?—I do not say that; there is a percentage charged to cover establishment charges in some cases, but in this particular case they only charged a percentage on the labour; then the material and labour and these different charges I have been describing as not being charged by the dockyards are totalled up and a percentage of profit as agreed upon taken on the whole sum.

4514. I will not pursue that further. May I take it that you have come to the conclusion, as I have, that this is about the most expensive way that you can refit vessels?—I know that is the popular view, certainly, but I think it is very likely that by this time next year this Committee will have some information that may qualify that view.

4515. It is borne out by experience, is it not?—I am not so sure of that. For instance, we are comparing Dockyard Estimates with actual cost. These repairs were put in the hands of Dockyard officers just the same as though they were being done in one of their own Dockyards. They were told to control these things; they had an opportunity of appointing officers to see that it was properly controlled. Notwithstanding all that, I have recently discovered that the Dockyard Officers made no allowance whatever in their Estimates for additional defects which arose after they had given those Estimates, which, in their case, if the ships had been repaired in Dockyards, we should certainly have had a supplementary estimate for.

Sir Frederick Banbury.

4516. That opens rather an important point. I understood that the general policy in future was to be that these repairs were to be done in the Dockyards where possible?—That is so.

4517. Do I understand now that there is to be a change in that policy?—No, I do not wish the Committee to infer that at all.

4518. May

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Mr. ROFF.

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Estimates Conjectural Only.—*continued.*

Mr. Herbert Lewis.

4518. May I ask whether this contract was given out to tender, or whether it was simply given to the Thames Shipbuilding Company without any competition of any kind?—There was no competition as between other firms; at this time there were a large number of ships sent out for repairs, and the policy of the Board of Admiralty was to distribute this work as evenly as possible in the various shipbuilding centres.

4519. Had you any previous experience of the Thames Shipbuilding Company?—Yes, a very long experience.

4520. You were aware that the rate of wages was high, and that it was rather an expensive place at which to repair ships?—It was not my decision, it was the Board of Admiralty's decision. The desire was to distribute the work, and I believe at that time they were very very hard up for work.

4521. Do you mean that the Thames Shipbuilding Company was hard up for work?—Yes.

4522. Therefore out of charity and compassion the Admiralty gave them a ship to repair?—No; you must not put those words into my mouth.

4523. I was asking the question; is that so?—No. I do not admit that.

4524. You say they were hard up for work?—Yes, and in many other districts when the work was distributed; it could not be done in the Dockyard, and they wanted the ships, and so they distributed them.

4525. It was a kind of method of relieving the unemployed, was it, practically?—No. I would like to put it this way:—It was important that these ships should be repaired, and that they should not be lying up unfit for service in the event of an emergency; they were not fit to fight. I think the prime object was to make them fit.

Chairman.

4526. Have you anything to say with regard to the "Hermes," in respect of which there was a large excess expenditure of 69,000*l.*?—Yes. In that case the money provided for her was simply to cover an ordinary refit. It was subsequently decided to fit new boilers, which necessitated the ship being thoroughly opened out and overhauled. The extent and character of the work was therefore entirely different from that for which the provision was intended.

4527. I suppose the Admiralty understand that these are really not estimates at all; that they give Parliament no information whatever, because these figures bear no relation at all to the expenditure?—I quite admit that, of course. Taking the particular item of the "Hermes," it was entirely a change of policy or an unexpected necessity of renewing boilers. I may also say that when these figures are put into the Navy Estimates very often these ships are abroad, and we know practically hardly anything about

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Estimates Conjectural Only.—*continued.*

Chairman—continued.

them. We cannot guess very closely what the outcome may be.

4528. You might put an asterisk or something of that sort in such cases to show that there could be no proper survey of the ship?—That has been done at the suggestion of this Committee. I think you will find that is so in the Estimates.

Mr. Herbert Lewis.

4529. With regard to the "Hermes," when was that vessel repaired?—She was repaired by contract.

4530. Where?—At Harland and Wolff's.

4531. In this case there was no competition—she was one of the ships that were distributed?—She was one of the ships that were distributed.

EXPENDITURE ON REFITS OF SHIPS NOW PLACED
ON THE SALE LIST.

Chairman.

4532. With regard to paragraph 14, I observe there is about 160,000*l.* spent on the refits of a number of vessels which are to be sold; does that mean that there is a large loss now that those ships are put up for sale; or would their value have been added to by the amount spent upon them. You will observe that those ships are to be sold now?—Yes.

4533. Therefore, presumably they are no further use to the Navy?—Yes.

4534. Is that policy very extravagant?—It may or may not be, but it is one I am not in any way responsible for.

4535. But have the refits added value to the ships; will they sell for much more because they have been refitted?—I should hardly think they would sell for very much more. I am afraid they would not, because they are not suitable for commercial purposes.

Mr. Herbert Lewis.

4536. As a matter of fact these vessels only fetched practically the price of old iron. Is not that so?—I am afraid it is very little more than that.

Mr. Goddard.

4537. As a matter of fact they must be broken up, must they not?—They must be broken up.

Chairman.

4538. There were specially large numbers for sale this year on account of a change of system?—Yes, a considerable number.

4539. More than usual, I mean?—Yes, much more than usual.

4540. With

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Mr. ROFF.

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
EXPENDITURE ON SHIPS PASSED INTO LIST OF
SHIPS FOR SUBSIDIARY SERVICES.

Sir *Brampton Gurdon*.

4540. With regard to the end of paragraph 15, I observe that there are three ships which have been removed from the active list. Is it not a very remarkable thing that those three ships, which were only two years old, should have been passed into the "List of Vessels available for Subsidiary Services, Hulks, &c." Can you explain that at all?—I cannot give any explanation except that the Board have considered the matter, and that has been their decision.

4541. But surely the "List of vessels available for Subsidiary Services" means more or less obsolete vessels?—In some cases that is so.

4542. Those ships were only two years old?—The recent events in the East, I believe, have impressed upon the Board the importance of the question as to what the fighting value of such ships would be.

Chairman.

4543. But this was before the Japanese War?—Yes, in the case of these particular ships.

4544. There is no further explanation that you can give?—No.

Mr. *Goddard*.

4545. Are they gunboats?—Yes, some are gunboats.

4546. I mean the three that have been mentioned—the "Fantome," the "Merlin," and the "Odin." What class of vessel are they?—They are sloops.

4547. Is that a class of vessel that is now abandoned, then?—Yes, they will build no more of them.

EXPENDITURE ON REPAIRS COMPARED WITH
FIRST COST OF VESSELS.

Mr. *Goddard*.

4548. Were these four vessels mentioned in paragraph 18 repaired under contract?—Yes, they had new boilers, if I remember rightly.

4549. It is noted here that the cost of refitting the "Niger" is as nearly as possible the same as the first cost of the vessel?—Yes, those vessels have been refitted, and the Board, at all events, consider that the expense was justified. They had new boilers and new machinery, and in the case of the "Circe" they have got 2½ more knots out of her, and they have got 2¾ knots out of the "Halcyon," 2 knots out of the "Jason," and 3¼ additional knots of speed on the "Leda." The average increase of speed is nearly 2¾ knots on those boats, and that the Board consider to be quite a justification for the large expenditure in reconstructing them.

4550. Can you tell me what class of vessels those four were. Were those sloops too?—Those are torpedo gunboats.

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NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Expenditure on Repairs Compared with First
Cost of Vessels.—*continued*.

Mr. *Goddard*.—*continued*.

4551. Is that the reason why they are not put on the Subsidiary List, they are no use for any other purpose, I suppose?—Those are not on the condemned list.

4552. I should have thought there would have been a question before you spent double the whole sum they originally cost, as to whether they would not be very eligible things for going on the condemned list?—I have given what seemed to the Board, at any rate, justifiable reasons, viz., the large increase of speed which they were able to obtain. These boats also kept the sea very well.

EXPENDITURE FOR WHICH NO PROVISION WAS
MADE IN PROGRAMME ESTIMATE.

Chairman.

4553. The expenses for the refits of the vessels referred to in paragraph 19 have not been placed on the estimates at all, apparently; no provision appears to have been made for those refits?—No.

4554. What authority did you get for doing it then—did you ask the Treasury for authority?—I am not sure whether the Board would go to the Treasury and ask for permission, but it is taken out of the aggregate provided for in the Votes for Repairs and Reconstruction of Ships.

4555. It is saved out of something else, is it?—Yes. Taking the "Resolution" for instance, no provision was made for that vessel, as the large repairs could not be foreseen. The expense there relates to work rendered necessary on account of a gale, during which the vessel sustained severe damage, and lost her rudder.

Mr. *Goddard*.

4556. In the case of expenditure for which you do not get Treasury sanction, you can only use the surplus voted for that particular purpose, is not that so?—That is so.

4557. You can only use the surplus under the money voted for refitting for this purpose?—That is so. (Mr. *Chalmers*.) That is not quite so.

4558. (To Mr. *Chalmers*.) Will you explain how that is?—There is this distinction to be drawn between cash which is under Treasury control, cash as granted in the Votes, and the programme which is the application of that cash to new construction and repairs, and so forth, in the absolute discretion of the Admiralty. In the programme the Treasury has no concern whatsoever—that is, in the policy of the use of the cash. The Treasury is confined to dealing with the cash in the Votes on the lines with which the Committee is familiar.

4559. Then is this a right use of the money, to put it to purposes like this for which no provision was stated in the programme?—This Committee has in the past stated its opinion that

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Mr. ROFF.

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EXPENDITURE FOR WHICH NO PROVISION WAS
MADE IN PROGRAMME ESTIMATE.

Mr. *Goddard*—continued.

that if there is any departure of any extensive character from the programme, it should be at once reported by the Admiralty to the House of Commons—that is the guiding principle. (Mr. *Roff*.) That was done here.

4560. (To Sir *James Williamson*.) I understand these items that are mentioned in paragraph 19 are not by any means the whole amount that was expended on these vessels, because it does not include the indirect charges?—It is exclusive of indirect charge.

4561. The indirect charges are often as much as the direct charges, are they not?—No.

4562. They might have added considerably to the amount spent?—It would add to the amount. (Mr. *Roff*.) In the case of the "Resolution" the direct charges were 36,690*l.*, and the incidental charges 7,706*l.*

TEST EXAMINATION OF THE DETAILS OF
EXPENSE ACCOUNTS, 1903-4.

Chairman.

4563. (To Mr. *Kempe*.) With regard to paragraph 20, you have heard the evidence that has been given to-day as to the improvement in affairs in accounting at Haulbowline, would you desire to modify this view which you expressed in this paragraph?—We do not examine the

NAVY APPROPRIATION ACCOUNTS, 1903-1904.
Test Examination of the Details of Expense
Accounts, 1903-1904—continued.

Chairman—continued.

accounts at Haulbowline every year—we have not examined them this year; they will not be examined until next year, and until we have examined them fully we cannot say whether the improvement is sufficient.

4564. Meanwhile you have heard that there has been a change?—Yes, we have heard to-day that there has been a change.

CONVERSION ACCOUNTS,

VARIATIONS IN COST OF PRODUCTION.

4565. (To Mr. *Roff*.) Can you explain why there is this difference in the cost of production in the conversion of the electric shops at the different yards?—The differences in the cost of production have been investigated and replies furnished to the Auditor's queries. They are mainly due to differences in methods of manufacture, variation in the numbers produced at the several yards, and more expensive finish at some yards than at others. As conversion work is often interrupted to undertake more pressing work in connection with building and re-fitting ships, it is impossible to regulate the cost of producing the same article at different yards with the degree of nicety which is desirable.

Wednesday, 19 July 1905.

MEMBERS PRESENT:

Mr. Victor Cavendish.
Mr. Cohen.
Mr. Goddard.
Sir Brampton Gurdon.

Sir Arthur Hayter.
Sir Robert Mowbray.
Mr. Pym.

SIR ARTHUR HAYTER, BART., IN THE CHAIR.

Mr. J. A. KEMPE, C.B., and Mr. H. J. GIBSON, C.B., called in; and Examined.

Mr. A. W. MACONOCHE (a Member of the House), called in; and Examined.

Chairman.

4566. I had forwarded to you all the evidence which has been given here in which your name appears, and you expressed your desire to appear before us to-day and make a statement?—If I can give any evidence or information that is of assistance to your Committee I shall be very pleased to do so. I also wish to do away, if possible, with the impression that I gathered, from some remarks in the Minutes, had been made upon some minds of the members of the Committee. I thought that possibly I could with your permission give just a slight account leading up to this particular transaction, and then when I had given the whole account as far as I remember it, you would perhaps like to ask any question you wished, or some of the Committee would.

4567. Quite so. We of course have had several papers which we have read, and we have taken the evidence which you have seen. I am sure the Committee would be very anxious to hear anything you would like to address to them and they will, if they please, ask any questions on what you may say?—I shall be very delighted to answer anything.

4568. Please make the statement?—I think that our people have been the contractors to the Army for about 30 years. In 1887, or about that date, there was an inquiry sent out from the War Office for a new field ration, and we, amongst others, submitted what we thought was very suitable. I believe it was sent out to India in 1888, and approved by Lord Roberts, who was there at the time. It was known then as the Maconochie ration. It was composed of meat and vegetable. From time to time during successive little wars that we were engaged, this particular class of food was ordered and only used by the officers. When the war in South Africa

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Chairman—continued.

began I understood that the War Office were short of supplies of what is commonly termed "bully beef." We got large contracts, and we were particularly busy. At the end of November we were sent for and asked if we could assist the Department.

4569. At the end of November, 1899?—In 1899 we were asked if we could assist the Department in an emergency which had arisen with regard to an article they called their emergency ration. We explained to them that we were extremely busy. There was a great demand by the merchants in South Africa for stores, and we had their contracts, but as we had said some short time previously that we would do anything we could, and we would not attempt at any time to raise the price of anything that we supplied them over and above the ordinary increase of the price of raw material, or increase, as it may be, of the price of labour, we said, "We will try to help you." I may tell you that I said at the time, "It is a Government article, and private manufacturers have never made it." And I said, "Do you want many," and Mr. Major, who was the gentleman I saw myself, said, "We have a cable from Lord Roberts for 300,000, wanted quickly." "Well," I said, "I will go back to the works; I will consult the managers. I will see what we can do, but I presume you will be able to supply the necessary material to manufacture this article." He said, "I do not know that we can give you the lot. I am afraid we cannot, but at any rate we will supply you with all we can, and what we cannot supply you will have to supply yourself." From time to time we got small supplies from them until, eventually, including what was obtained at the end of the time, we purchased from them at what, I believed, was cost price, a total value of 5,605*l.* 5*s.* 5*d.*

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Mr. KEMPE, C.B., Mr. GIBSON, C.B., and
Mr. MACONOCHE (a Member of the House).

[Continued.]

Chairman—continued.

4570. Of what?—Of pemmican.

4571. You had not mentioned that?—I may tell you at that time, of course, there was great strain, and it was not uncommon that a contractor might be sent for and he would be told in the ordinary way to go on with a contract, and a few days after the contract would be sent on to them to sign. I only mention that because I want you to clearly understand. I am giving you for and against. I do not wish to place my side any different from the other. You might think that that had a bearing on the dispute that arose afterwards. On the 28th of November I was instructed to proceed with the manufacture of this article. I had seen the Director of Contracts in the meantime. There was no price arranged, nothing settled, but they said, "We will work out the price, and we will allow you a fair profit on the transaction." We understood distinctly and most clearly, that all we were doing in the matter was to manufacture this particular article for them, practically as their employees. In fact, it was clearly understood that, if it was possible, the whole of the material would be supplied by the War Office.

Mr. Victor Cavendish.

4572. That is the whole of the pemmican?—The whole of the pemmican. That was the chief part. I think it was on the 9th December a contract form came to the office, in the usual way, for signing.

Chairman.

4573. December, 1899?—December, 1899. The form was the usual form. I took it back. Our manager was with me. I saw Mr. Major and I said, "We cannot sign this contract form. It is not an ordinary contract. We are manufacturing these things for you." As nearly as I can remember I said, "I do not think, candidly speaking, this sort of thing will keep for twelve months, so I could not guarantee it." Mr. Major thought for a bit and he said (and these are his words as nearly as I remember; he might have had one view of it and I might have had the other—he was perfectly fair), "But we must have something for office reference." He might have understood that that was a guarantee. We understood exactly the opposite. We said, "Well, if that is all we will sign it." As far as we remember, after such a lapse of time we could not exactly say the words on either side. As nearly as my memory gives them to me those are the words. He might have had one view and I the other, but under that impression, under the distinct impression that we were only manufacturing for the War Office, and that they at any time could supply the material, and were only too anxious to get them to do so, we manufactured those goods. We contended that we had not guaranteed them. However, I think the first complaint occurred in October, 1901, 22 months after the first delivery. I may tell you that after this first 300,000 there were succeeding orders which were executed, and the total amount which the Department were able to

Chairman—continued.

manufacture themselves was only 2,900 tins a week, and we delivered something like 1,690,000 in about six months. We thought that we had certainly given them expedition, and as far as the quality was concerned, no sample of material, as far as pemmican or cocoa paste are concerned, was ever used by us until it was submitted to Woolwich for inspection for analysis, or whatever their experts deemed advisable. No goods were ever packed by us except under the supervision of the officers appointed by the War Office, and I may say, from first to last we were always subjected to inspection. As I said at the War Office myself at the beginning of these contracts, if they wished to get their work done expeditiously it would be necessary to have the work inspected where the goods were put up, and to have other inspectors at the ship when they were going to be shipped, and samples taken out of the barges and then sent to Woolwich to be tested by their experts and by their analysts, and that was carried out not only in this case but in everything. Well, 22 months after a complaint came to us that the goods were defective. We naturally refused to recognise it.

Mr. Pym.

4573*. What was the date of that?—October, 1901.

4574. That was the first complaint?—That was the first complaint.

Chairman.

4575. That was in regard to rations sent to South Africa?—On the emergency rations sent to South Africa. We said, "Well, it is nothing to do with us, surely you do not hold us liable for a thing that we have never guaranteed," and eventually it transpired that, as the clause which contained the two year's guarantee had not been struck out, they contended that they had good grounds for claiming upon us. We explained verbally and I believe in writing, that there had not been a guarantee at all, or rather, if they had wished for a guarantee at all, we should promptly have struck out the guarantee clause, or we should have said, "We cannot undertake the risk for it is not ours. It is entirely your own conception. It is entirely your own article and we cannot guarantee an article which really belongs to you." I can tell you how much we recognised that. On several occasions we had inquiries from different parts of the world for this particular article. I think, if you inquire at the office, you will find that whenever we had an inquiry we simply wrote back to the people that it was not an article of our manufacture—it was a War Office article. We had nothing to do with it, and we could not supply it. On one or two occasions I mentioned it to Mr. Major, I believe, the Director of Contracts. After this 22 months had elapsed, of course a good deal of correspondence took place. But at that time we had a number of other contracts on for the War Office. We had large supplies of stores which had been going out ever since October, 1899, and to have an action or dispute then

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Chairman—continued.

then with the War Office would have been damning to us. It would have placed us in a very bad position. It would have destroyed the confidence that we think we can prove to you to day we had enjoyed in previous years, and during that campaign. We turned round and said, "How many have you got?" "We have got 250,000 tins, and they are in South Africa." We said, "If you will supply the necessary material, which we will pay you for" (that was the pemmican; the cocoa paste was perfectly good), "to put it right, and will have your own special expert, and get the best scientists you can, we will put the 250,000 right." But what occurred was this:— Instead of 250,000, the whole of the supplies throughout Great Britain were gathered together and they sent us in 497,000. We could not very well quarrel with a Department of that character; you cannot very well do it; you cannot go to law with them. If you say you will do 250,000, and they turn round and say, "You must do a bit more," we have to say that we will do it, as we did. "Let us have the pemmican." They supplied the pemmican, and I think at that time it amounted altogether to about 3,700*l.* to replace them.

Mr. Goddard.

4576. Pounds weight?—Pounds sterling. I am only giving you value in money.

Mr. Pym.

4577. Is that in addition to the original 5,600*l.*?—No. The 5,000*l.* odd is the total amount altogether, but this is the exact amount, or near the exact amount, but that was used, or paid rather, to put those up. When we had done 365,000 of these tins it seemed to dawn on those who had to deal with it that perhaps it was not as well to get these things replaced, and they said, "What would you give us not to do any more?" As it happened, when they said that they were quite out of the supply of pemmican, which they frankly admitted, they said they had not any more. They said, "We have no more pemmican in stock." We eventually offered them 500*l.* We said, "We think we have been treated as no private firm in the world would treat any other firm under similar conditions, and we think you are unduly hard." However, I will tell you how it eventuated a few months ago. It hung on. We still had this quantity of 130 odd thousand in our stores in Scotland, and we eventually paid a sum of 2500*l.* and returned them the balance that we had in hand that had never been examined. I may tell you on 14th July, 1903, we were informed that on a partial examination of the replacement some of them were shown to be defective. That was 19 months after we had commenced to replace them or three years and seven months after the original order. Supposing we were wrong, and what they asked for originally was a two years guarantee, when you got your final settlement the question was five years old, because it was 1899, and the final settlement, I think, was in February of this year. That is, so far as emergency rations are

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Mr. Pym—continued.

concerned, but when I tell you to do those emergency rations and do them at the speed we had to do them, we put on one side scores of thousands of pounds of our general trade which we have never recovered, I think you will admit that it has been rather an expensive business for our company. As to the meat and vegetable rations I explained, I think, at the beginning how it originated in 1887, and that in each campaign it was supplied only to the officers. It was highly praised, not only by all the medical men, but by all the medical journals, by all the Generals in command, by the ordinary soldier and the officers, and every paper of any importance in this country has always praised that particular form of food. When I tell you, to take an instance, that iron railings at Durban will not last two years without they are painted every twelve months, and many of these stores that were complained of and destroyed were actually within 500 yards of the sea in tins without any covering for nearly three years, there is no doubt there would be many defective tins, but I think you will find that the error occurred in the want of organisation in receiving and dispatching the goods. The cases that came out first, owing to the system I presume, were kept until the last and yet during the whole of the war—during the whole of the war we had nothing but praise from the Department. We had nothing but praise from the officers and everyone we met. We had numerous letters from the ordinary soldier, and I think I can say at the present moment there is not a single service member in the House of Commons to-day, on either side, who will not admit that it was the best form of food he had. I am not sure, but there may be some gentlemen here who have lived on them. Most people have tasted them and know them. I will just call your attention to the war in 1896 to show you the report on this article. I may tell you that, both as to the food and the tins, they were tested analytically by the experts of the War Office—and as to the tinsplate itself, and from first to last the inspection was so rigid that it would have been almost impossible, if you had wished, to give a defective article. I know that, speaking from my own personal experience at Woolwich, when I happened to be there some years ago during the war you had the best experts in London to sample your coffee, to sample your tea, to sample your brandies, to sample your wines, and, so far as tinned goods were concerned, I believe you sent them up to Somerset House and they were tested regularly just as often as your experts desired. If you will allow me I will read one or two little extracts from the important papers of this country on that particular form of food. It will not take a moment. I will put these in if you like. I will not keep you a moment.

4578. Never mind them if they are not long?—It is only two lines. On the 10th of February, 1896, in the Ashanti Campaign the "Daily Chronicle's" correspondent said: "We were well supplied with Maconochie's rations, and, as a great authority has said, an army can go anywhere and do anything as long as it possesses morale and Maconochie." The

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Mr. MACONCHIE (a Member of the House).

[Continued.]

Mr. Pym—continued.

"Daily News" war correspondent on July 23rd, 1896, during the Soudan Campaign, says: "We have to make out with tinned foods, our old friend the bully beef and our newer friend the Maconochie Army Ration. To this last, even at the risk of seeming to puff an article of commerce, I must give a word of high praise. It is by far the most palatable, and I should imagine also the most wholesome form of tinned meat that I have yet come across." Then there are the "Times," "Lancet," "Medical Journal," and nearly every paper of importance during those different campaigns.

Mr. Goddard.

4579. That is not emergency ration?—No, I am dealing with the meat and vegetables. I had finished with the emergency. I thought that possibly if I dealt with the whole thing and you wished to ask me questions, it would be much simpler. Then I have here letters sent from men we never saw and do not know—men in command of regiments and soldiers, all speaking of that particular form of food. Now I know as a matter of fact that during the Matabele Campaign a number of Maconochie Army Rations, meat and vegetables, which had been in store for many years were used in that Campaign and found perfectly good. I also know that every test, I mean reasonable test, that this particular form of food has had, it has come through satisfactorily. So far as we as a firm are concerned, and we are prepared to prove it, the contracts that we entered into with the War Office were invariably carried out, we believe, as far as we know, satisfactorily. The whole of the supplies supplied to the War Office were 5 per cent. overweight, as tested by themselves frequently, over and above what they paid for. The actual saving in the supplies we sent to them under the contracts that we made was a saving 15 per cent., or about 170,000*l.* to that Department. I may explain that in this form: Many believed that the war would be very short and no large firm like ours would put on one side their work, or trouble to prepare themselves to put goods up. When you have to buy things in a hurry you have to pay, and if you compare some of the prices that were paid to us and some of the prices that were paid to firms who were allowed to copy this particular article of food, which we did not complain about, you will find at least a difference in many cases of at least 15 or more per cent. If you had had to go into the market to buy these things you would not have got them for 15 per cent. more than what you paid us.

Chairman.

4580. Have you completed your statement?—Yes. I shall be very pleased to answer any question.

Mr. Pym.

4581. You have not confined your evidence to emergency rations. You have dealt with the meat and vegetables as well?—Yes.

Chairman.

4582. You have dealt with the whole?—Everything.

Sir Robert Mowbray.

4583. What sort of proportion of pemmican was it that you got from Woolwich and that you got from other places. I do not understand that you got it all from Woolwich?—No, a very small proportion. As I explained they were very desirous to supply the whole of it, and we were very desirous to get it, but they could only give us what they could spare of what they had.

4584. Could you give me an idea of the proportion?—I could not without going into the figures pretty closely. It is only a small proportion.

Chairman.

4585. I should like to put a question to you, and you can say whether it is right or wrong, and that will possibly answer the question. Of the original 497,000, 93,000 were pemmican from the War Office?—I think so.

4586. Of the replacement rations, the 365,000, 231,498 are said to have been War Office pemmican?—Possibly.

4587. Do you contest that statement?—No, I think it is about right.

4588. That is the answer to the question?—So far as replacement is concerned, Dr. Littlejohn is considered the best expert in Scotland, and the most able man in Edinburgh (I think that is the name as far as I remember), and he was allowed to condemn anything. He saw everything.

4589. I am not talking about the condemnations?—I meant to show from that that the quantity was entirely in his hands. It was not in the hands of ourselves. We had nothing to do with the quantity. If he had said that the whole lot was to be replaced we should have had to replace it.

4590. This is from Sir Fleetwood Wilson's statement, in his evidence?—I should say that his figures are correct. I am not challenging them at all.

Mr. Goddard.

4591. Do I understand that the two years' guarantee was in the contracts both for the emergency rations and for the meat and vegetable rations?—Two years' guarantee was the ordinary form they sent out for emergency rations or for anything—for jams, chicken, or meat and vegetables. They had no other form.

4592. Will you answer the question which I put to you?—Certainly.

4593. There are two classes of rations that you supplied. Was there the same guarantee in regard to both classes?—Yes, the same form.

4594. Do I understand, from what you have stated, that you took exception to the two years' guarantee in regard to the emergency rations because it was not your pemmican, but it was a War Office pemmican?—Yes.

4595. You did not take the same objection to the two years' guarantee for the goods which were your rations?—No, not at all.

4696. But

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Mr. Goddard—continued.

4596. But they went bad too?—No, never.

4597. They never went bad?—No. We never had any bad.

4598. There were a very large number of rations destroyed because they were bad?—I do not know anything about that. I know ours were not bad, as far as we knew. We cannot say that if you place a thing in the open you will not have a considerable quantity of it bad.

Mr. Victor Cavendish.

4599. Did you have any complaint about their going bad?—Never; not a single one.

Sir Brampton Gurdon.

4600. Not about the meat and vegetable rations?—Not a single one.

Mr. Pym.

4601. In your statement just now you said, with reference to this question of the contracts, that you had some talk with Sir Alfred Major about it to the effect that you did not consider that it was a fair contract to make, on the ground that you were doing special service for the War Office, and not undertaking this in the common ordinary course of business, but were acting as their agent. I think that was the line which you took?—That was the meaning I wished to convey.

4602. You said also to Sir Alfred Major (who was then Mr. Major) that these emergency rations would not keep for twelve months?—What I said was I did not believe that they would keep for twelve months, and I could not guarantee a thing of that kind. That is when we went back with the ordinary contract form.

4603. You made another curious remark. You said that Mr. Major stated that he must have something to show for office reference?—So far as I remember he said, "I must have something for office reference," those are his words. I gathered from that naturally, having said that we could not guarantee, that he acquiesced, but as far as I understand, from reading the Minutes, that was not in his mind.

4604. What was not in his mind?—It was not in his mind that he had freed us from what I read in the Minutes given before the Committee.

4605. Quite so. Did you imagine at the time that he had freed you?—I not only thought so, but our manager thought so, and if we had not thought so we should not have touched the contract at all. We should not have touched the business. It would be no use our taking liability and responsibility for an article that was not our own.

4606. Then it was in your mind at the time, from what you have said you said to Mr. Major, that the question of the guarantee really was not in the contract at all?—It was in my mind that we were signing this form simply for office reference and not as a contract. With regard to there being any doubt about it we had to take the word of the heads of Departments for everything of that kind. For instance, they might say, to us, "You can go on with the contract." That contract might be of immense value. We
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Mr. Pym—continued.

had every confidence in their word, and had no reason to doubt it. If a man spoke to you in that sort of way you would naturally think it was quite satisfactory.

4607. There was no direct statement on the part of Mr. Major to free you from the conditions of that contract?—I quite admit that. I have told you exactly what we remember. We understood that there was not any guarantee.

4608. Do not you think, under the circumstances, it would have been better for you to have had something in writing?—We do think it. We feel that very keenly. We know we were wrong in not having it cleared up.

4609. Then, that being the case, do you consider that you have a fair cause of complaint against the office for having insisted on the contract which you signed with your eyes open?—I judge in this way: If you send for a man when you happen to be in trouble, and you ask him to help you out when you have no one else to do it, and then because something happens for which he is not really responsible you say, "Well, you must pay although you have helped me out." It seems rather a severe punishment.

4610. With reference to the time which you stated when you made your statement, as far as I can make out, the first order was given on the 28th November, 1899?—1899.

4611. And the first objection taken was in October, 1901?—Yes.

4612. That is 22 months?—Yes.

4613. That objection came from South Africa, you said?—Yes, it came from South Africa.

4614. What was the date of the first objection with regard to these things which were kept in England?—I never heard any objection to them. All we knew was that they were sending back about 260,000 from South Africa, and we never heard anything more until they had collected these together. We never had any further complaints. They simply sent in 497,000, as far as I remember at the moment.

4615. Are we to understand that a portion of the 497,000 had been out?—263,000 or 262,000 had been out. We were not told, and I am not sure. We were led to believe these had been returned from South Africa, and that this particular lot had come back from South Africa I cannot say.

4616. As far as the evidence given before this Committee is concerned, there is no doubt according to the evidence we have heard that the 497,000 emergency rations had never been out of this country?—I noticed that that is a question I discussed with our manager only this morning. We were under the impression that 262,000 or 263,000, I think it was about that, had come back, but I could not say. We had not the handling of it.

Chairman.

4617. We had evidence to show exactly where they were—so many at Woolwich and so many at the Home Depot?—We might have got the impression from Woolwich that they were going to send them back and they may not have done so, and these might have been others.

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Mr. Pym.

4618. Of course that is a very important point in this Inquiry as regards your position and the character of these rations, if the 497,000 had not gone out. You saw the dates of the first objection was October, 1901?—Yes.

4619. With regard to the 497,000?—No. They said 250,000 originally.

4620. I want to know what was the date when you heard that the 497,000 were objected to?—The first objection we had of any was October, 1901, and the quantity they were to send did not transpire. What they originally asked us to take was 250,000. Might I call your attention to the fact that emergency rations are an uncooked article, and it does not matter whether they are abroad or at home, they are not an article that will keep indefinitely. They have been tested over and over again.

4621. According to you would not the conditions under which these emergency rations were out in South Africa, climatic conditions and others, make a difference. Would not they have any worse effect on them than if they were stored here at home?—It did not make the slightest difference to those things. They were uncooked. The pemican is uncooked, and that was the only thing there was a complaint about.

4622. The point that we have not been able to discover exactly is when you got the first complaint with regard to this. We will take it for granted at present that 497,000 represents the amount that never left this country. When did you get your first complaint about those rations?—The first complaint we had was October, 1901.

Sir Robert Mowbray.

4623. That was in regard to the 300,000?—No.

Mr. Pym.

4624. That is 22 months. When was the first delivery of those after you got the order on the 28th November, 1899?—The 16th December, 1899.

4625. Can you tell us the date when the whole of that 497,000 was delivered. What was the last date?—One contract ran into another. The first contract was 300,000, the next 500,000. I presume that we had delivered all the 300,000 and part of the 500,000 before the end of February.

4626. Of the next year?—Of 1900. We had delivered about 800,000, I presume, by that time. That is practically half of the whole.

4627. Then we will take February as the date. 300,000 at least were delivered, and a portion of the 500,000. The dates which we have at present before us are from February, 1900 to October, 1901. That is about one year and seven months?—Yes. I do not know whether I said so, but we were delivering on the 16th December, 1899.

4628. That is rather material?—On 16th December, 1899, we commenced delivering the 300,000, and we had completed that long before the middle of February.

Mr. Pym.—continued.

4629. I only wanted to ask you this question and I will not trouble you any more. You say that this was a new business to you altogether?—These emergency rations—nobody wanted them but the War Office, and they made their own, so nobody could have any experience in them.

4630. The making of emergency rations was an entirely new business to you?—Yes, an entirely new business to us.

4631. Consequently you had had no practical experience as to whether they would keep or not?—Our experience in food products extends to over 35 years—mine does.

4632. Forgive me. Do not go into another subject. I quite understood you about the meat and vegetable rations of which you have had large experience. Your view has been proved to be a correct one so far as the evidence of experienced people goes. But this is a new matter altogether. It was a new business to you with a new material, and therefore you felt at the time that you could not give a guarantee. Is that correct?—I felt so because any tinned article or food going to a climate that changes, unless it has a vacuum, and is cooked, is always liable to go wrong in a shorter or longer period, according to the particular article. It was because of my experience in every market, I may say, throughout the world, I felt it was a very great risk for anyone to run to expect things to last long.

4633. Did you explain that to the War Office when you undertook the supply?—I simply said this in an offhand way. "I do not think the things will last twelve months" as you might do in conversation. You would hardly like to tell a man that a thing that he has hope from, or belief in, he is wrong about, or his judgment is wrong. I simply spoke as far as I believed; but, as I said, we had no experience much in that particular article.

4634. Then the War Office was aware, when it completed this contract with you, that you felt that you were not in a position to give a guarantee of two years?—We hoped they were, but apparently they did not think so. We hoped they were aware that we were not going to give a guarantee, that we never intended to give a guarantee, but they apparently did not think so.

Mr. Cohen.

4635. This question of guarantee which is really the only question which I want to ask you about seems to have been raised by you in terms on the first complaint which reached you in October, 1901. I took your words down. You said I think "I said surely you do not hold us responsible for an article we have never guaranteed" those are the words which I took down from you?—Yes, those are the words.

4636. Can you tell us what the reply to that was?—I cannot remember exactly, but what I do remember is that they said: "Well, but you signed the contract." I think those were the words that were used—"You signed the form."

4637. That

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4637. That was very natural?—I think that is what they did say if I remember rightly.

4638. Then if you did not know it before, in October, 1901, you must have gathered, perhaps for the first time, that they were under the impression that that guarantee was not a mere formal matter, but it was, what it purported to be, a guarantee from you?—Yes, I think so. I was made aware pretty sharply at that time of the impression they had.

4639. You did not think beforehand, although you signed the guarantee, that it meant anything at all?—Not for that particular article—emergency rations.

4640. But you knew that on paper it covered that article. There was nothing excluding emergency rations on paper?—I do not know. If you are working at very high pressure, and working night and day, and are in the habit of taking orders, as we have done frequently, verbally, for a very large amount, and you discuss a matter of that kind, and you get an impression like that, I do not know that it is unreasonable to think that we might make a mistake of that kind.

4641. I am not criticising your action?—No. I see your point.

4642. Are we correct when we gather that it was only in October, 1901, when the complaint was made to you of the pemmican or rations, or whatever they were, that you gathered that the War Office regarded the contract as covered by the guarantee?—Yes.

4643. Not before?—Not before.

4644. When that conversation took place, to which Mr. Pym referred, when you say Mr. Major said, "We must have something to record," it was not then that the question was raised. It was only when you made this observation, "Surely you will not hold us responsible," that you raised that question. Is not that so?—No. I raised the question at that particular time when I went back with the contract on the 9th December, 1899.

4645. I do not quite understand. When you went back in December, 1899, you raised it?—The first time the form was sent to us to sign for emergency rations was some days after the verbal order had been given on the 28th November, 1899. If I recollect rightly the form came on December 9th, 1899, and on that day we took it back and said, "We cannot sign this guarantee form," and said why we could not sign it. Then a conversation ensued, which I gave you as near as I remembered. I think I have said that the words which were used were: "Well, we must have something for office reference." We signed that form and we did not know that we were guaranteeing those goods until we were brought to book in October, 1901.

4646. At first, therefore, you hesitated to sign, but afterwards you did when they pressed you very much for something?—Yes, exactly.

4647. Therefore your original objection still prevailed, but you overcame it in deference to pressure?—There was no pressure. We had one impression, and I presume that Mr. Major had the other. Our impression was that it was simply as a record for the office that we were to

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Mr. Cohen—continued.

sign it. Had we thought that it would be otherwise we certainly should not have gone on.

Sir Brampton Gardon.

4648. You said, I think, that there were no complaints against any of the meat and vegetable rations?—During the war.

4649. May I read to you a report of Major Beveridge dated the 11th March, 1903. Have you read it?—No, I have not seen it.

4650. "I certify that the sample of 1 case 28 tins Maconochie's meat and vegetable rations sent here on March 7th, 1903, on being analysed by the officer commanding Detail Issue Store, Pretoria and marked as above contain heavy traces of iron. Seven tins out of the 28 were blown and their contents decomposed. The remainder showed commencing decomposition. In each case the interior of the tin was blackened and corroded in places, thus accounting for the large proportion of iron in the meat." Samples had been taken at random from a large number that were dated from April to June, 1902, and were, therefore, less than a year old. On that report, every single tin opened being more or less corroded, many being blown and decomposed, the Board ordered a very large number of the rations to be destroyed?—Was that in March, 1903?

4651. Yes?—Where was that done? Was it at Pretoria?

4652. Yes, that was done at Pretoria, at the old depot?—I do not know what goods will stand a climate like we have in South Africa if they have been out in it for two or three years.

4653. But they had not been out a year?—What was the date?

4654. April to June, 1902, and they were examined on the 7th March, 1903?—I could not ask you to get a more practical example of what would happen than to take the whole of the tinned goods from any grocer's shop in this country and throw them into a field, and let them lie there for twelve months, handle them as you did those, and then examine them to see whether they will prove defective. I say there were no goods of ours that were properly handled that were defective. I was not out there, but I can say this—that the same experts, the same analysts in Edinburgh that tested goods for the War Office during the war, have since tested goods that were returned from the war, with dates on them, and found them perfectly good.

4655. But with regard to emergency rations, out of 1,790,000 there were 497,000 condemned at home, as we have already heard, and 945,000, or rather more, condemned in South Africa. So that altogether 1,442,000 were condemned out of 1,790,000, which is a very large proportion, and some of them had never been out of the country?—I only know about 479,500.

4656. You do not know about the 945,000?—I may have heard of it, but, judging from the way in which condemnations were made in South Africa, and judging from examinations we have made of things great doubt is thrown upon the condemnation of all the emergency rations which were condemned. We wish to tell you exactly what happened and everything we can possibly

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tell you about it. Will you look at the dates. On the 14th July, 1903, there is a letter from the Director of Contracts with regard to partial examination of the replacement—replacement out of your own material which you received the money for, done under one of the best scientists in this country. If it is found fifteen months after to be wrong, that clearly proves my previous opinion that the goods would not keep for twelve months. That is nineteen months after the commencement of the replacement, and fifteen months after the completion of the replacement, and three years and seven months from the original order. Food products of this character cannot be expected to last for such a lengthy period.

4657. The 7th article of the contract says: "The contractor warrants the articles to keep sound and wholesome in any climate for a period of two years from date of delivery into store." You considered that to be a mere formality?—Nothing of the kind. I do not call it a formality in a contract of that character. Are you referring to meat and vegetable rations, because you mentioned Pretoria?

4658. Yes?—Do you mean meat and vegetable rations, or emergency rations?

4659. I am speaking of both?—If you are dealing with meat and vegetable rations I can only say that, where they have had fair handling and reasonable and proper storage, they have always been found good. If it is the emergency rations I can only say that the very fact that if Government pemmican used for the replacement in 15 months is found defective, that should be surely sufficient to exonerate the contractor in this case.

4660. The 9th Article of the contract says: "No Member of the House of Commons shall be admitted to any part or share of this contract, or to any benefit to arise therefrom"?—Quite so—ours is a private limited liability company.

4661. Was that carried out?—Certainly, or I should not be here to-day.

4662. You had no part or share in the profit, or any benefit arising therefrom?—I am a shareholder in Maconochie Brothers, Limited.

4663. Yes?—Well, what has that to do with it?

4664. I do not know whether, as a shareholder, you got any benefit out of it. That is what I asked?—I presume with regard to every contract that anyone takes any shareholder interested in any company that takes a contract gets a benefit, the same as any shareholder in a railway company carrying troops gets a benefit out of the railway company by his stock in that company.

4665. I do not think that that is quite a reply. There is one other question I want to ask you: You said that any expedition of any importance that had taken place had always used your goods?—Our meat and vegetable rations?

4666. And you said that, if there is reasonable storage they always kept good?—You see it is in this way. Every expedition that we have had has only lasted for a certain number of months and anything will stand a fair amount of wear and tear but if you expect a preserved article in tin to stand for, say, one or two years in the open,

Sir Brampton Gurdon—continued.

exposed to heat and cold and frost, it will not stand it. It is unreasonable to expect it. What I say is this, that in regard to every expedition where we have sent goods out, if you will carefully get the dates when the particular war began and when it finished, you will find that it is a limited number of months, and they used the things as fast as they were brought forward.

4667. You supplied stores for the "Discovery," did you not?—We had the highest praise from the "Discovery." The "Discovery" was a vessel that leaked on the way to New Zealand.

4668. And there was complaint with regard to the quality of some of the stores?—There is not the slightest foundation for that. It is entirely false, and I challenge you to make that statement outside the House of Commons.

4669. I should like to do it here?—If you will do it outside the House I shall be very pleased to meet you.

4670. I am here to do my duty?—I say there is no truth in it.

4671. Are you aware that they received from you 16,250 tins and 6,000 of them were rejected before they went out?—No.

4672. You are not aware of it?—It is not true.

4673. I can prove it?—I can prove that you are wrong.

4674. Are you aware that several of your tins were improperly labelled—that onions were labelled "plaice," and other things were wrongly labelled "parsniips"?—No, I am not aware of that.

4675. On the return 1,760 tins were examined of which 487 were condemned. Are you aware of that?—I say it is absolutely false, for this reason—that the whole of the goods returned from the "Discovery" were examined by the Port Officer of Health and passed as perfectly sound. They were purchased and exhibited in Queen Victoria Street for a considerable time.

4676. You say that those figures are not right?—I say they are not correct.

4677. Out of 24 hams returned 8 were condemned?—It is not correct. Everything returned from the "Discovery" was certified by the Officer of Health as perfectly good.

4678. You are aware that a Committee sat upon it and examined into these things?—Where?

4679. In this country?—If I may respectfully suggest it if Sir Brampton Gurdon has anything to say there is always a time and place for it without bringing it up with this other matter.

Chairman.

4680. I only wish to ask you with regard to these 496,000 emergency rations. I see from various papers that they did not evidently go abroad?—I do not know. I only gave you my impression.

4681. Quite so. Have you any explanation to give with regard to them. As I understand it you withdrew them and agreed to replace them. Is not that admitting that they were bad?—I beg your pardon.

4682. You

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4682. You withdrew the 497,000 and agreed to replace them?—Yes, but we did not admit that we were to blame in any degree whatever.

4683. I daresay, but did you not admit that they were bad by taking them back?—No, we did not admit anything of the kind.

4684. Why did you take them back?—There was this: They said: "These have proved defective." We said: "We will overhaul them and examine them provided you will give us the necessary material to replace anything that is defective, and that you will have your own experts to see that the work is done properly." The amount that was wrong would be shown by the amount of pemmican that we used. We were under the impression, and we were told that 250,000 were all they complained about. I am speaking of originally when we agreed to replace them, and thought that they were coming back from South Africa. That is how we got the impression that they were from South Africa. I am only saying that we got that impression. I would point out that the Government pemmican with which the goods were replaced, the goods being kept in this country was found 15 months afterwards to be defective. That is a clear proof that it never would keep for two years.

4685. Did you not, by taking the goods back, admit that they were bad?—No. We did not admit anything, for this reason—that we could not tell what they were unless we examined them. The complaint was that certain of them were defective, and then arose our offer to overhaul the lot and replace any that were defective with their own material.

4686. Then you replaced 365,000?—Yes; but if you will refer to Sir Fleetwood Wilson's figure you will find that only 220,000 of them, or whatever number it may be, were defective out of 365,000. The others remained good.

Mr. Goddard.

4687. Do you now say that out of the 365,000 there were some returned to the War Office as they left it without being altered?—I should say that there would be some considered good by their experts.

4688. That is not the point. Do you say that there were some rations out of the 497,000 that were taken away for the purpose of being changed, that were returned without being changed?—You will get the exact figure if you get Sir Fleetwood Wilson's figure and the amount that we sent out, and make the calculation. The difference will give you what was perfectly good.

4689. Sir Fleetwood Wilson says that 365,000 came back?—365,000 would come back.

4690. The inference is that they were all changed and made good?—I should not think so. Every one would be examined. With regard to what the Government Inspector, Dr. Littlejohn, would want replaced, he would naturally err on the safe side, and would condemn as much as possible.

4691. You have no statement to make as to how many were found good when you opened them?—I think we might say, from the daily report which we had from our man, there would

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Mr. Goddard—continued.

not be probably more than 20 per cent. of what we should call defective, but the scientist, Dr. Littlejohn, would be there, and it was for him to say what he wanted replaced and what he did not.

Mr. Pym.

4692. Now, I think that we may bring this to a head. Have you any record in your books as to how many of those 365,000 you had to re-make. There is a number of 365,000 returned again to the War Office?—Yes.

4693. As I understand you, you say that the whole of the 365,000 were not remade?—No, I should not think more than 200,000 odd, or whatever it might be.

4694. Have you no record in the books of your company to show how many of those were not remade?—I think we have. I think we could tell you to a tin.

4695. You could give the information later on?—I think I could give you the information. I think I could tell you to a tin.

4696. I want to ask you one more question, and it is with reference to the meat rations that were destroyed out in South Africa. There were a very large number of these meat rations destroyed in South Africa?—Meat and vegetables.

4697. I am not talking about the emergency rations. Did you make any inquiries yourself, or did you obtain from South Africa any portion of those meat rations that were destroyed so as to inform yourself as to whether they were bad or not?—We did make inquiries, and we found that many of them had been exposed to the weather in many cases, the outer covering of wood having been taken for firewood and the goods had been lying on the veldt. Of course there would be many defective, but we had a case sent back. I think it came from Pretoria, the same district, and that was tested by the Government analysts, by the same people who tested for the Government in Edinburgh, and they pronounced the goods perfectly good and sound, and fit to eat. I will show you the report.

4698. You are able to inform the Committee that you did make inquiry, that you had a sample sent back, that you had that sample analysed, and that the report on that sample was that that particular case was in good order?—The report is at your service.

4699. It is not here, is it?—It is at your service. It was from the University College, Edinburgh.

4700. That is all I ask. (*Witness.*) Mr. Chairman, I want to make one point. I say this—that if the replacement of emergency rations by sound pemmican supplied by the Government was found, fifteen months after, defective, I think it is not unreasonable to say, and I think we were not unreasonable in saying, that we did not think this class of food would last for twelve months, and we are not unreasonable in saying that we never ought to have been expected to guarantee an article for two years when it is proved that the same article, after replacement,

2 R

would

19 July 1905.]

MR. KEMPE, C.B., MR. GIBSON, C.B., and
MR. MACONOCHE (a Member of the House).

[Continued.]

Mr. Pym—continued.

would not last fifteen months. Every original tin that this food had been put in was thrown away and new tins were used. No old stuff was used. They were all new tins, and it was new work altogether. We say that if it would not last fifteen months under the most rigid supervision then it is not unreasonable to say that we should not have been asked to guarantee it for two years.

Chairman.

4701. That is with regard to the 365,000?—I am speaking of emergency rations generally.

Mr. Goddard.

4702. However, that is not the point. You did guarantee them?—I am not disputing what you say. I am very much obliged to you; I am sorry that I have taken so much of your time.

Chairman.

Not at all.

Sir ALFRED MAJOR; recalled.

Chairman.

4703. I only wish to ask you a question with regard to the guarantee. Your evidence is not exactly in consonance with the evidence which we have just had. Do you wish to modify your evidence in any way?—Not at all.

4704. You said in your evidence on 5th July that although there was no question raised about a guarantee yet it was the contractor's business

Chairman—continued.

to raise the question if he objected to a guarantee, and that the contractor signed the contract with the two years' guarantee, and did not raise the question until the rations went bad?—That is what I said.

4705. Do you adhere to that?—Certainly.

4706. Thank you. That is all I wished to ask you.

A P P E N D I X.

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APPENDIX, No. 1.

PAPER handed in by Mr. *Robert Chalmers*, c.B.

1902-1903.

COMPARISON OF AUDITED EXPENDITURE WITH EXCHEQUER ISSUES
AND
GENERAL ABSTRACT OF APPROPRIATION ACCOUNTS.(After Audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee
of the House of Commons.)

Treasury, 1905.

COMPARISON of AUDITED EXPENDITURE in 1902-1903 with EXCHEQUER ISSUES for that Year.

| | Exchequer Issues. | | Audited Expenditure (Net). | | Audited Expenditure (Net). | | | |
|----------------------------|-------------------|-------|----------------------------|-------|-----------------------------|-------|-----------------------------|-------|
| | £. | s. d. | £. | s. d. | Less than Exchequer Issues. | | More than Exchequer Issues. | |
| | £. | s. d. | £. | s. d. | £. | s. d. | £. | s. d. |
| CONSOLIDATED FUND SERVICES | 30,070,707 | 17 4 | 30,070,707 | 17 4 | - | - | - | - |
| ARMY | 69,055,261 | 10 7 | 68,863,527 | 3 8 | 191,734 | 6 11 | - | - |
| ARMY ORDNANCE FACTORIES | 381,738 | 9 5 | 312,912 | 15 2 | 41,795 | 16 3 | - | - |
| NAVY | 31,170,000 | - | 31,003,977 | 9 11 | 166,022 | 10 4 | - | - |
| | 100,610,000 | - | 100,210,447 | 6 9 | 399,552 | 13 3 | - | - |
| CIVIL SERVICES | 36,200,000 | - | 36,130,824 | 16 10 | 69,175 | 3 2 | - | - |
| REVENUE DEPARTMENTS | 17,603,000 | - | 17,550,213 | 10 9 | 52,786 | 9 3 | - | - |
| TOTAL | £. 181,083,707 | 17 4 | 183,962,193 | 11 8 | 521,514 | 5 8 | - | - |
| | | | | | £. 521,514 | 5 8 | | |

1902-1903.

GENERAL ABSTRACT OF APPROPRIATION ACCOUNTS.

(After Audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee of the House of Commons.)

| S E R V I C E. | Grants and Estimated Receipts, 1902-1903. | | | | | | Expenditure, 1902-1903. | | | | | | Differences between Exchequer Grants and Net Expenditure. (Columns 3 and 6.) | | | | | | | | | |
|---|---|------|--------------------------------------|------------|-------------------|------|-------------------------|------|-------------------------|-------------|------------------|----|--|----|-----------|-------------|----|----|-----------|----|----|--|
| | Estimated Gross Expenditure. | | Estimated Receipts in Aid of Grants. | | Exchequer Grants. | | Gross Expenditure. | | Actual Receipts in Aid. | | Net Expenditure. | | Surpluses. | | Deficits. | | | | | | | |
| | (1.) | (2.) | (3.) | (4.) | (5.) | (6.) | (7.) | (8.) | | | | | | | | | | | | | | |
| | £. | s. | d. | £. | s. | d. | £. | s. | d. | £. | s. | d. | £. | s. | d. | £. | s. | d. | | | | |
| Army | 79,360,399 | - | - | 10,050,299 | - | - | 69,310,100 | - | - | 79,329,275 | 6 | 10 | 10,465,748 | 3 | 2 | 68,863,527 | 3 | 8 | 446,572 | 16 | 4 | |
| Army (Ordnance Factories) | 5,005,000 | - | - | 4,670,000 | - | - | 355,000 | - | - | 4,025,098 | 13 | 5 | 3,682,156 | - | 3 | 342,942 | 13 | 2 | 12,057 | 6 | 10 | |
| Navy | 32,376,717 | - | - | 1,121,217 | - | - | 31,255,500 | - | - | 32,327,715 | 2 | 7 | 1,323,737 | 12 | 8 | 31,003,977 | 9 | 11 | 251,522 | 10 | 1 | |
| TOTAL, NAVAL AND MILITARY SERVICES | £. 116,742,116 | - | - | 15,821,516 | - | - | 100,920,600 | - | - | 115,682,039 | 2 | 10 | 15,471,641 | 16 | 1 | 100,210,447 | 6 | 9 | 710,152 | 13 | 3 | |
| Civil Services : | | | | | | | | | | | | | | | | | | | | | | |
| Class I | 2,402,175 | - | - | 88,273 | - | - | 2,313,902 | - | - | 2,368,115 | 13 | 3 | 95,792 | 18 | 10 | 2,272,322 | 14 | 5 | 41,579 | 5 | 7 | |
| „ II. | 3,059,088 | - | - | 447,444 | - | - | 2,612,544 | - | - | 2,974,462 | 13 | 1 | 470,667 | 18 | 1 | 2,503,794 | 15 | - | 108,749 | 5 | - | |
| „ III. | 4,617,337 | - | - | 734,364 | - | - | 3,883,073 | - | - | 4,736,765 | 17 | 7 | 816,219 | - | 11 | 3,720,546 | 16 | 8 | 162,526 | 3 | 4 | |
| „ IV. | 13,416,476 | - | - | 61,218 | - | - | 13,355,258 | - | - | 13,398,97 | 8 | 7 | 55,342 | 17 | - | 13,343,254 | 11 | 7 | 12,003 | 8 | 5 | |
| „ V. | 13,469,734 | - | - | 110,195 | - | - | 13,359,539 | - | - | 13,452,892 | 17 | - | 111,455 | 14 | - | 13,341,437 | 3 | - | 18,101 | 17 | - | |
| „ VI. | 630,885 | - | - | 145 | - | - | 630,740 | - | - | 612,529 | 19 | 6 | 147 | 8 | 7 | 612,382 | 10 | 11 | 18,357 | 9 | 1 | |
| „ VII. | 309,122 | - | - | 8,200 | - | - | 300,922 | - | - | 297,214 | 13 | 3 | 10,128 | 8 | - | 287,086 | 5 | 3 | 13,835 | 14 | 9 | |
| Grant to Lord Kitchener of Khartoum | 50,000 | - | - | - | - | - | 50,000 | - | - | 50,000 | - | - | - | - | - | 50,000 | - | - | - | - | - | |
| TOTAL, CIVIL SERVICES | £. 37,955,817 | - | - | 1,449,839 | - | - | 36,505,978 | - | - | 37,690,579 | 2 | 3 | 1,559,754 | 5 | 5 | 36,130,824 | 16 | 10 | 375,153 | 3 | 2 | |
| Carried forward | 151,697,933 | - | - | 17,271,355 | - | - | 137,426,578 | - | - | 153,372,668 | 5 | 1 | 17,031,395 | 1 | 6 | 136,341,272 | 3 | 7 | 1,085,305 | 16 | 5 | |

For details, see pages to

1902-1903—continued.

GENERAL ABSTRACT OF APPROPRIATION ACCOUNTS—continued.
(After Audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee of the House of Commons)—continued.

| SERVICE. | Grants and Estimated Receipts, 1902-1903. | | | Expenditure, 1902-1903. | | | Differences between Exchequer Grants and Net Expenditure. (Columns 3 and 6.) | |
|---|---|--------------------------------------|-------------------|-------------------------|-------------------------|------------------|--|---------------------|
| | Estimated Gross Expenditure. | Estimated Receipts in Aid of Grants. | Exchequer Grants. | Gross Expenditure. | Actual Receipts in Aid. | Net Expenditure. | Surpluses. | Deficits. |
| | (1.) | (2.) | (3.) | (4.) | (5.) | (6.) | (7.) | (8.) |
| | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. |
| Brought forward | 154,697,933 - - | 17,271,355 - - | 137,426,578 - - | 153,372,668 5 1 | 17,031,896 1 6 | 136,341,272 3 7 | 1,085,305 15 5 | - |
| Revenue Departments : | | | | | | | | |
| Customs | 958,000 - - | 53,500 - - | 904,500 - - | 945,019 2 11 | 51,320 9 8 | 893,698 13 3 | 10,801 6 9 | - |
| Inland Revenue | 2,161,770 - - | 15,000 - - | 2,146,770 - - | 2,152,400 8 7 | 14,962 16 1 | 2,137,437 12 6 | 9,332 7 6 | - |
| Post Office | 9,912,875 - - | 151,060 - - | 9,761,815 - - | 9,757,277 12 4 | 183,411 11 11 | 9,573,866 - 5 | 187,948 19 7 | - |
| Post Office Telegraph Service | 4,268,000 - - | 56,750 - - | 4,211,250 - - | 4,251,037 8 9 | 76,211 1 1 | 4,174,826 7 8 | 36,423 12 4 | - |
| Post Office Packet Service | 962,350 - - | 183,435 - - | 778,915 - - | 960,733 5 10 | 190,348 8 11 | 770,384 16 11 | 8,530 3 1 | - |
| TOTAL, REVENUE DEPARTMENTS | £ 18,262,995 - - | 459,745 - - | 17,803,250 - - | 18,066,467 18 5 | 516,254 7 8 | 17,550,213 10 9 | 253,936 9 3 | - |
| TOTAL FOR VOTED SERVICES | £ 172,960,928 - - | 17,731,100 - - | 155,229,828 - - | 171,439,136 3 6 | 17,547,650 9 2 | 153,891,485 14 4 | 1,338,342 5 8 | - |
| Consolidated Fund : | | | | | | | Less than Estimate. | More than Estimate. |
| Permanent Charge of Debt | | | | | | 23,000,000 - - | £. s. d. | £. s. d. |
| Interest, &c. on War Debt | | | | | | 4,400,000 - - | 117,942 - 1 | - |
| Other Consolidated Fund Services | | | | | | 1,645,000 - - | 12,392 12 11 | - |
| Payments to Local Taxation Accounts | | | | | | 1,155,000 - - | - | 1,042 10 4 |
| TOTAL OF CONSOLIDATED FUND SERVICES | | | | £ 30,200,000 - - | | 30,070,707 17 4 | 130,334 13 - | 1,042 10 4 |
| GRAND TOTAL OF EXPENDITURE | | | | £ 183,902,193 11 8 | | | | |

The Sums written off from EXCHEQUER GRANT ACCOUNTS together with the Sums paid to the EXCHEQUER, in respect of SAVINGS on VOTES and APPROPRIATIONS in AID realised in excess of Estimate, for the Year 1902-1903, amounted to 1,338,342*l.* 5*s.* 8*d.*

| | In the Financial Year | |
|--|-------------------------------|-------------------------------|
| | 1903-1904. | 1904-1905. |
| | <i>£.</i> <i>s.</i> <i>d.</i> | <i>£.</i> <i>s.</i> <i>d.</i> |
| Written off from Exchequer Grant Accounts out of Ways and Means of 1902-1903 | 346,147 3 7 | — |
| Ditto . . . ditto . . . ditto 1903-1904 | 946,573 1 6 | — |
| Ditto . . . ditto . . . ditto 1904-1905 | — | 653 17 6 |
| Paid to the Exchequer by the Paymaster General | 44,968 3 1 | — |
| | <i>£.</i> 1,337,688 8 2 | 653 17 6 |

Total Surpluses (as above) Col. 7 £. 1,338,342 5 8

CIVIL SERVICES

1902-1903.

ABSTRACT STATEMENT showing the APPROPRIATION OF GRANTS, and RECEIPTS in AID of GRANTS, for the undermentioned CIVIL SERVICES, after Audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee of the House of Commons, for the Year ended 31st March 1903; and the Amounts of the UNEXPENDED BALANCES or DEFICIENCIES arising upon the same.

THIS VOLUME IS TIGHTLY BOUND

| Number of Vote. | SERVICE. | Reference to detailed Account in Parliamentary Paper, No. 28. of 1904. | Grants and Estimated Receipts 1902-1903. | | | Expenditure, 1902-1903. | | | Differences between Exchequer Grants and Net Expenditure. | | |
|-----------------|--|--|--|--------------------------------------|-------------------|-------------------------|-------------------------|------------------|---|-----------|----------|
| | | | Estimated Gross Expenditure. | Estimated Receipts in Aid of Grants. | Exchequer Grants. | Gross Expenditure. | Actual Receipts in Aid. | Net Expenditure. | Surpluses. | Deficits. | |
| | | | | | | | | | | | (1.) |
| | CLASS I. | | | | | | | | | | |
| | PUBLIC WORKS AND BUILDINGS. | Page. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. |
| 1 | Royal Palaces and Marlborough House - - - | 3 | 80,880 - - | 580 - - | 80,300 - - | 80,779 4 7 | 919 5 2 | 79,859 19 5 | 440 - 7 | - | - |
| 2 | Royal Parks and Pleasure Gardens - - - | 14 | 122,200 - - | 6,000 - - | 116,200 - - | 122,032 1 9 | 6,325 7 10 | 115,706 13 11 | 493 6 1 | - | - |
| 3 | Houses of Parliament Buildings - - - | 21 | 49,350 - - | 350 - - | 49,000 - - | 47,970 6 4 | 298 4 5 | 47,672 1 11 | 1,327 18 1 | - | - |
| 4 | Miscellaneous Legal Buildings, Great Britain - - - | 26 | 49,450 - - | 650 - - | 48,800 - - | 45,593 13 11 | 753 19 8 | 44,839 14 3 | 3,960 5 9 | - | - |
| 5 | Art and Science Buildings, Great Britain - - - | 33 | 43,375 - - | 75 - - | 43,300 - - | 42,551 9 11 | 194 5 9 | 42,357 4 2 | 942 15 10 | - | - |
| 6 | Diplomatic and Consular Buildings - - - | 39 | 42,200 - - | 800 - - | 41,400 - - | 41,486 14 8 | 2,055 19 10 | 39,430 14 10 | 1,969 5 2 | - | - |
| 7 | Revenue Buildings - - - | 45 | 374,035 - - | 3,035 - - | 371,000 - - | 372,993 8 10 | 4,429 3 - | 368,564 5 10 | 2,435 14 2 | - | - |
| 8 | Public Buildings, Great Britain - - - | 80 | 443,273 - - | 17,073 - - | 426,200 - - | 439,002 16 3 | 15,947 1 2 | 423,055 15 1 | 3,144 4 11 | - | - |
| 9 | Surveys of the United Kingdom - - - | 95 | 237,289 - - | 28,880 - - | 208,409 - - | 237,129 11 2 | 31,834 5 2 | 205,295 6 - | 3,113 14 0 | - | - |
| 10 | Harbours under the Board of Trade - - - | 98 | 21,661 - - | 2,600 - - | 19,061 - - | 10,065 8 6 | 2,571 12 1 | 7,493 16 5 | 11,567 3 7 | - | - |
| 11 | Peterhead Harbour - - - | 100 | 24,000 - - | - - - | 24,000 - - | 23,378 12 11 | - - - | 23,378 12 11 | 621 7 1 | - | - |
| 12 | Rates on Government Property - - - | 102 | 559,688 - - | 21,430 - - | 538,258 - - | 553,952 6 1 | 23,587 17 5 | 530,364 8 8 | 7,893 11 4 | - | - |
| 13 | Public Works and Buildings, Ireland - - - | 106 | 228,972 - - | 6,800 - - | 222,172 - - | 225,823 13 11 | 6,875 17 4 | 218,947 16 7 | 3,224 3 5 | - | - |
| 14 | Railways, Ireland - - - | 122 | 125,802 - - | - - - | 125,802 - - | 125,356 4 5 | - - - | 125,356 4 5 | 445 15 7 | - | - |
| | TOTAL - - - £. | | 2,402,175 - - | 88,273 - - | 2,313,902 - - | 2,368,115 13 3 | 95,792 18 10 | 2,272,322 14 5 | 41,579 5 7 | - | - |

| CLASS II. | | | | | | | | | | | | | | | | | | |
|---|--|-----|---------|-----------|---------|---------|---------|-----------|---------|-----------|---------|---------|---------|-----------|--------|--------|------|---|
| SALARIES AND EXPENSES OF CIVIL DEPARTMENTS. | | | | | | | | | | | | | | | | | | |
| <i>United Kingdom and England.</i> | | | | | | | | | | | | | | | | | | |
| 1 | House of Lords Offices | 133 | 42,657 | - - | 35,000 | - - | 7,657 | - - | 41,463 | 9 7 | 38,919 | 8 1 | 2,544 | 1 6 | 5,112 | 18 6 | - | |
| 2 | House of Commons Offices | 136 | 59,544 | - - | 34,500 | - - | 25,044 | - - | 59,526 | 16 10 | 36,424 | 1 6 | 23,102 | 15 4 | 1,941 | 4 8 | - | |
| 3 | Treasury and Subordinate Departments | 138 | 93,651 | - - | 3,800 | - - | 89,851 | - - | 92,295 | 15 9 | 4,302 | 19 4 | 87,992 | 16 5 | 1,858 | 3 7 | - | |
| 4 | Home Office | 142 | 160,656 | - - | 8,300 | - - | 152,356 | - - | 152,103 | 4 9 | 11,035 | 17 4 | 141,067 | 7 5 | 11,288 | 12 7 | - | |
| 5 | Foreign Office | 147 | 65,750 | - - | 600 | - - | 65,150 | - - | 62,992 | 1 10 | 578 | 3 6 | 62,413 | 18 4 | 2,736 | 1 8 | - | |
| 6 | Colonial Office | 149 | 54,800 | - - | - | - | 54,800 | - - | 53,828 | 9 1 | - | - | 53,828 | 9 1 | 971 | 10 11 | - | |
| 7 | Privy Council Office | 151 | 13,898 | - - | 1,508 | - - | 12,390 | - - | 11,943 | 10 4 | 2,055 | 9 - | 9,888 | 1 4 | 2,501 | 18 8 | - | |
| 7a | Privy Seal Office | 153 | 1,000 | - - | - | - | 1,000 | - - | 774 | 7 6 | - | - | 774 | 7 6 | 225 | 12 6 | - | |
| 8 | Board of Trade | 154 | 208,110 | - - | 10,645 | - - | 197,465 | - - | 201,786 | 18 8 | 11,087 | 7 7 | 190,699 | 11 1 | 6,765 | 8 11 | - | |
| 9 | Mercantile Marine Services | 159 | 151,126 | - - | 52,300 | - - | 98,826 | - - | 150,534 | 16 5 | 56,917 | 9 7 | 93,617 | 6 10 | 5,208 | 13 2 | - | |
| 10 | Bankruptcy Department of the Board of Trade | 163 | 10 | - - | - | - | 10 | - - | - | - | - | - | - | - | 10 | - - | - | |
| 11 | Board of Agriculture | 169 | 120,119 | - - | 24,403 | - - | 95,716 | - - | 114,667 | 8 1 | 21,531 | 11 10 | 93,135 | 16 3 | 2,580 | 3 9 | - | |
| 12 | Charity Commission | 174 | 33,442 | - - | - | - | 33,442 | - - | 31,043 | 11 8 | - | - | 31,043 | 11 8 | 2,398 | 8 4 | - | |
| 13 | Civil Service Commission | 177 | 44,402 | - - | - | - | 44,402 | - - | 40,803 | 10 10 | - | - | 40,803 | 10 10 | 3,598 | 9 2 | - | |
| 14 | Exchequer and Audit Department | 179 | 67,122 | - - | 2,517 | - - | 64,605 | - - | 64,491 | 13 10 | 2,517 | - - | 61,974 | 13 10 | 2,630 | 6 2 | - | |
| 15 | Friendly Societies' Registry | 181 | 7,361 | - - | - | - | 7,361 | - - | 7,245 | 17 5 | - | - | 7,245 | 17 5 | 115 | 2 7 | - | |
| 16 | Local Government Board | 183 | 225,323 | - - | 5,000 | - - | 220,323 | - - | 218,627 | 16 4 | 5,108 | 17 5 | 213,518 | 18 11 | 6,804 | 1 1 | - | |
| 17 | Lunacy Commission | 188 | 16,247 | - - | 1,107 | - - | 15,140 | - - | 15,400 | 10 6 | 1,137 | 9 - | 14,263 | 1 6 | 876 | 13 6 | - | |
| 18 | Mint, including Coinage | 190 | 126,921 | - - | 126,900 | - - | 21 | - - | 121,844 | 4 3 | 126,900 | - - | * 5,055 | 15 9 | 5,076 | 15 9 | - | |
| 19 | National Debt Office | 195 | 15,829 | - - | 2,529 | - - | 13,300 | - - | 15,642 | 8 7 | 2,667 | 18 10 | 12,974 | 9 9 | 325 | 10 3 | - | |
| 20 | Public Record Office | 197 | 24,060 | - - | - | - | 24,060 | - - | 24,059 | 3 10 | - | - | 24,059 | 3 10 | - | 16 2 | - | |
| 21 | Public Works Loan Commission | 199 | 10,266 | - - | 10,250 | - - | 16 | - - | 10,045 | 9 9 | 10,250 | - - | * 204 | 10 3 | 220 | 10 3 | - | |
| 22 | Registrar General's Office | 201 | 62,824 | - - | 8,300 | - - | 54,524 | - - | 62,439 | - 5 | 9,252 | 15 - | 53,186 | 5 5 | 1,337 | 14 7 | - | |
| 23 | Stationery and Printing | 204 | 860,400 | - - | 90,255 | - - | 770,145 | - - | 860,164 | 15 7 | 95,633 | 19 7 | 764,530 | 16 - | 5,614 | 4 - | - | |
| 24 | Office of Woods, Forests, and Land Revenues, &c. | 209 | 22,135 | - - | - | - | 22,135 | - - | 21,089 | 8 2 | - | - | 21,089 | 8 2 | 1,045 | 11 10 | - | |
| 25 | Office of Works and Public Buildings | 211 | 59,650 | - - | - | - | 59,650 | - - | 59,348 | 12 0 | - | - | 59,348 | 12 - | 301 | 8 - | - | |
| 26 | Secret Service | 216 | 65,000 | - - | - | - | 65,000 | - - | 50,763 | 15 2 | - | - | 50,763 | 15 2 | 14,236 | 4 10 | - | |
| <i>Scotland.</i> | | | | | | | | | | | | | | | | | | |
| 27 | Office of the Secretary for Scotland | 218 | 37,549 | - - | 2,230 | - - | 35,319 | - - | 36,023 | 17 11 | 3,219 | 8 7 | 32,804 | 9 4 | 2,514 | 10 8 | - | |
| 28 | Fishery Board | 222 | 18,097 | - - | - | - | 18,097 | - - | 18,070 | 13 5 | - | - | 18,070 | 13 5 | 26 | 6 7 | - | |
| 29 | Lunacy Commission | 225 | 6,600 | - - | 525 | - - | 6,075 | - - | 6,496 | 19 4 | 567 | 17 - | 5,929 | 2 4 | 145 | 17 8 | - | |
| 30 | Registrar-General's Office | 227 | 8,260 | - - | 750 | - - | 7,530 | - - | 7,716 | 11 4 | 785 | 16 - | 6,930 | 15 4 | 599 | 4 8 | - | |
| 31 | Local Government Board | 229 | 13,945 | - - | - | - | 13,945 | - - | 13,511 | - - | - | - | 13,511 | - - | 434 | - - | - | |
| Carried forward | | | £. | 2,696,774 | - - | 421,419 | - - | 2,275,355 | - - | 2,626,745 | 19 2 | 440,893 | 9 2 | 2,185,852 | 10 - | 89,502 | 10 - | - |

* Surplus of Appropriations in Aid over Gross Expenditure.

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March 1903—continued.

| Number of Vote. | SERVICE. | Reference to detailed Account in Parliamentary Paper, No. 29 of 1904. | Grants and Estimated Receipts, 1902-1903. | | | Expenditure, 1902-1903. | | | Differences between Exchequer Grants and Net Expenditure. | | | | | | | | | | |
|---|---|---|---|--------------------------------------|-------------------|-------------------------|-------------------------|------------------|---|-----------|---------|-------|-----------|------|---------|-------|-------|------|-------|
| | | | Estimated Gross Expenditure. | Estimated Receipts in Aid of Grants. | Exchequer Grants. | Gross Expenditure. | Actual Receipts in Aid. | Net Expenditure. | Surpluses. | Deficits. | | | | | | | | | |
| | | | | | | | | | | | (1.) | (2.) | (3.) | (4.) | (5.) | (6.) | (7.) | (8.) | |
| CLASS II.—continued. | | | Page. | | | | | | | | | | | | | | | | |
| SALARIES AND EXPENSES OF CIVIL DEPARTMENTS—continued. | | | Brought forward - - - | | | £. | s. d. | £. | s. d. | £. | s. d. | £. | s. d. | £. | s. d. | £. | s. d. | £. | s. d. |
| Ireland. | | | 2,696,774 | - - | 421,419 | - - | 2,275,355 | - - | 2,626,745 | 19 2 | 440,893 | 9 2 | 2,185,852 | 10 0 | 89,502 | 10 - | - | - | - |
| 32 | Household of the Lord Lieutenant | 231 | 4,812 | - - | - | - | 4,812 | - - | 4,762 | - 5 | - | - | 4,762 | - 5 | 49 | 19 7 | - | - | - |
| 33 | Chief Secretary for Ireland | 233 | 26,355 | - - | 247 | - - | 26,108 | - - | 26,319 | 3 7 | 264 | 1 6 | 26,055 | 2 1 | 52 | 17 11 | - | - | - |
| 34 | Department of Agriculture and Technical Instruction | 236 | 159,385 | - - | 1,140 | - - | 158,245 | - - | 157,143 | 10 - | 2,039 | 13 4 | 155,103 | 16 8 | 3,141 | 3 4 | - | - | - |
| 35 | Charitable Donations and Requests Office | 252 | 2,018 | - - | 38 | - - | 1,980 | - - | 2,007 | 15 7 | 38 | 8 8 | 1,969 | 6 11 | 10 | 13 1 | - | - | - |
| 36 | Local Government Board | 254 | 78,031 | - - | 12,000 | - - | 66,031 | - - | 68,274 | 12 7 | 13,820 | 9 5 | 54,454 | 3 2 | 11,576 | 16 10 | - | - | - |
| 37 | Public Record Office | 257 | 5,253 | - - | - | - | 5,253 | - - | 5,150 | 18 - | - | - | 5,150 | 18 - | 102 | 2 - | - | - | - |
| 38 | Public Works Office | 259 | 38,827 | - - | 2,500 | - - | 36,327 | - - | 38,691 | 11 5 | 3,533 | 10 - | 35,158 | 1 5 | 1,168 | 18 7 | - | - | - |
| 39 | Registrar-General's Office | 265 | 22,097 | - - | 720 | - - | 21,377 | - - | 18,984 | 17 6 | 708 | 9 6 | 18,276 | 8 - | 3,100 | 12 - | - | - | - |
| 40 | Valuation and Boundary Survey | 267 | 26,436 | - - | 9,380 | - - | 17,056 | - - | 26,382 | 4 10 | 9,369 | 16 6 | 17,012 | 8 4 | 43 | 11 8 | - | - | - |
| TOTAL - - - £. | | | 3,059,988 | - - | 447,444 | - - | 2,612,544 | - - | 2,974,462 | 13 1 | 476,667 | 18 1 | 2,503,794 | 15 - | 108,749 | 5 - | - | - | - |
| CLASS III. | | | | | | | | | | | | | | | | | | | |
| LAW AND JUSTICE. | | | | | | | | | | | | | | | | | | | |
| United Kingdom and England. | | | | | | | | | | | | | | | | | | | |
| 1 | Law Charges | 275 | 85,331 | - - | 13,200 | - - | 72,131 | - - | 84,866 | 9 4 | 16,807 | 11 7 | 68,058 | 17 9 | 4,072 | 2 3 | - | - | - |
| 2 | Miscellaneous Legal Expenses | 279 | 62,005 | - - | 12,731 | - - | 49,274 | - - | 61,937 | 10 3 | 12,731 | 5 - | 49,206 | 5 3 | 67 | 14 9 | - | - | - |
| 3 | Supreme Court of Judicature | 281 | 375,229 | - - | 54,300 | - - | 320,929 | - - | 373,329 | 9 3 | 58,960 | 7 3 | 314,369 | 2 - | 6,559 | 18 - | - | - | - |
| 4 | Land Registry | 285 | 39,202 | - - | - | - | 39,202 | - - | 36,322 | 8 5 | - | - | 36,322 | 8 5 | 2,879 | 11 7 | - | - | - |
| 5 | County Courts | 287 | 501,665 | - - | 460,665 | - - | 41,000 | - - | 494,995 | 16 3 | 509,028 | 12 10 | * 14,032 | 16 7 | 55,032 | 16 7 | - | - | - |
| 6 | Police, England and Wales | 290 | 49,430 | - - | 35 | - - | 49,395 | - - | 38,955 | 5 3 | 38 | 9 8 | 38,916 | 15 7 | 10,478 | 4 5 | - | - | - |
| 7 | Prisons, England and the Colonies | 299 | 698,229 | - - | 17,000 | - - | 681,229 | - - | 685,308 | 6 9 | 33,712 | 15 2 | 651,595 | 11 7 | 29,633 | 8 5 | - | - | - |
| 8 | Reformatory and Industrial Schools, Great Britain | 305 | 289,108 | - - | 28,200 | - - | 260,908 | - - | 280,874 | - - | 29,065 | 12 11 | 251,808 | 7 1 | 9,099 | 12 11 | - | - | - |
| 9 | Broadmoor Criminal Lunatic Asylum | 308 | 37,793 | - - | 1,158 | - - | 36,635 | - - | 35,322 | 16 9 | 1,236 | - - | 34,086 | 16 9 | 2,518 | 3 3 | - | - | - |
| Scotland. | | | | | | | | | | | | | | | | | | | |
| 10 | Law Charges and Courts of Law | 311 | 128,187 | - - | 43,900 | - - | 84,287 | - - | 127,587 | 16 - | 46,852 | 2 11 | 80,735 | 13 1 | 3,551 | 6 11 | - | - | - |
| 11 | Register House, Edinburgh | 315 | 42,071 | - - | - | - | 42,071 | - - | 41,147 | 6 7 | - | - | 41,147 | 6 7 | 923 | 13 5 | - | - | - |
| 12 | Crofters' Commission | 317 | 4,990 | - - | - | - | 4,990 | - - | 4,333 | 7 8 | - | - | 4,333 | 7 8 | 656 | 12 4 | - | - | - |
| 13 | Prisons | 319 | 96,031 | - - | 4,900 | - - | 91,131 | - - | 93,576 | 2 3 | 5,496 | 3 7 | 88,079 | 18 8 | 3,051 | 1 4 | - | - | - |

* Surplus of Appropriations-in-Aid over Gross Expenditure.

| | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|---|-----------------|--------------|----|---------|----|------------|----|------------|----|----|---------|----|----|------------|----|----|---------|----|----|----|
| | | <i>Ireland.</i> | | | | | | | | | | | | | | | | | | | |
| 14 | Law Charges and Criminal Prosecutions - - - | 324 | 68,902 | -- | 385 | -- | 68,517 | -- | 62,655 | 13 | 7 | 697 | 4 | 4 | 61,958 | 9 | 3 | 6,558 | 10 | 9 | -- |
| 15 | Supreme Court of Judicature and other Legal Departments | 327 | 106,251 | -- | 2,251 | -- | 104,000 | -- | 105,142 | 5 | 11 | 3,237 | 19 | 7 | 101,904 | 6 | 4 | 2,095 | 13 | 8 | -- |
| 16 | Irish Land Commission | 331 | 147,338 | -- | 14,185 | -- | 133,153 | -- | 142,630 | 8 | 9 | 14,442 | 10 | 2 | 128,187 | 18 | 7 | 4,965 | 1 | 5 | -- |
| 17 | County Court Officers, &c. | 334 | 115,008 | -- | 4,150 | -- | 110,858 | -- | 114,174 | 4 | 9 | 4,632 | 1 | 11 | 109,542 | 2 | 10 | 1,315 | 17 | 2 | -- |
| 18 | Dublin Metropolitan Police - - - - - | 337 | 145,439 | -- | 51,022 | -- | 94,417 | -- | 142,879 | 15 | 7 | 51,613 | 10 | 1 | 91,266 | 5 | 6 | 3,150 | 14 | 6 | -- |
| 19 | Royal Irish Constabulary - - - - - | 340 | 1,390,917 | -- | 21,732 | -- | 1,369,185 | -- | 1,383,667 | 3 | 8 | 22,247 | 18 | 1 | 1,361,419 | 5 | 7 | 7,765 | 14 | 5 | -- |
| 20 | Prisons - - - - - | 343 | 116,891 | -- | 3,250 | -- | 113,641 | -- | 112,019 | 17 | 6 | 3,750 | 13 | 1 | 108,269 | 4 | 5 | 5,371 | 15 | 7 | -- |
| 21 | Reformatory and Industrial Schools - - - - - | 350 | 110,837 | -- | 1,300 | -- | 109,537 | -- | 108,513 | 1 | 10 | 1,590 | 3 | 9 | 106,922 | 18 | 1 | 2,661 | 1 | 11 | -- |
| 22 | Dundrum Criminal Lunatic Asylum - - - - - | 353 | 6,533 | -- | -- | -- | 6,533 | -- | 6,526 | 11 | 3 | 77 | 19 | -- | 6,448 | 12 | 3 | 84 | 7 | 9 | -- |
| TOTAL - - - - - | | | £ 4,617,437 | -- | 734,364 | -- | 3,883,073 | -- | 4,536,765 | 17 | 7 | 816,219 | 11 | | 3,720,546 | 16 | 8 | 162,526 | 3 | 4 | -- |
| CLASS IV. | | | | | | | | | | | | | | | | | | | | | |
| EDUCATION, SCIENCE AND ART. | | | | | | | | | | | | | | | | | | | | | |
| <i>United Kingdom and England.</i> | | | | | | | | | | | | | | | | | | | | | |
| 1 | Board of Education - - - - - | 362 | 10,223,287 | -- | 8,618 | -- | 10,214,669 | -- | 10,220,744 | 18 | -- | 7,935 | 3 | -- | 10,212,809 | 15 | -- | 1,859 | 5 | -- | -- |
| 2 | British Museum - - - - - | 378 | 177,580 | -- | 11,000 | -- | 166,580 | -- | 177,358 | 1 | -- | 11,490 | -- | 5 | 165,868 | -- | 7 | 711 | 19 | 5 | -- |
| 3 | National Gallery - - - - - | 382 | 18,600 | -- | 1,600 | -- | 17,000 | -- | 18,328 | 13 | 11 | 1,903 | 8 | 6 | 16,425 | 5 | 5 | 574 | 14 | 7 | -- |
| 4 | National Portrait Gallery - - - - - | 385 | 5,541 | -- | -- | -- | 5,541 | -- | 5,541 | -- | -- | -- | -- | -- | 5,541 | -- | -- | -- | -- | -- | -- |
| 5 | Wallace Collection - - - - - | 387 | 9,066 | -- | 1,250 | -- | 7,816 | -- | 8,753 | 18 | 4 | 976 | -- | 4 | 7,777 | 18 | -- | 38 | 2 | -- | -- |
| 6 | Scientific Investigation, &c., United Kingdom - - - - - | 390 | 68,396 | -- | -- | -- | 68,396 | -- | 62,931 | 16 | 11 | -- | -- | -- | 62,931 | 16 | 11 | 5,464 | 3 | 1 | -- |
| 7 | Universities and Colleges, Great Britain, and Intermediate Education, Wales - - - - - | 393 | 121,706 | -- | -- | -- | 121,706 | -- | 121,318 | 12 | 10 | -- | -- | -- | 121,318 | 12 | 10 | 387 | 7 | 2 | -- |
| <i>Scotland.</i> | | | | | | | | | | | | | | | | | | | | | |
| 8 | Public Education - - - - - | 395 | 1,407,712 | -- | -- | -- | 1,407,712 | -- | 1,405,358 | 1 | 7 | -- | -- | -- | 1,405,358 | 1 | 7 | 2,353 | 18 | 5 | -- |
| 9 | National Gallery, &c. - - - - - | 399 | 3,400 | -- | -- | -- | 3,400 | -- | 3,400 | -- | -- | -- | -- | -- | 3,400 | -- | -- | -- | -- | -- | -- |
| <i>Ireland.</i> | | | | | | | | | | | | | | | | | | | | | |
| 10 | Public Education - - - - - | 401 | 1,366,998 | -- | 33,250 | -- | 1,333,748 | -- | 1,361,259 | 8 | 6 | 27,982 | 9 | 7 | 1,333,276 | 18 | 11 | 471 | 1 | 1 | -- |
| 11 | Endowed Schools Commissioners - - - - - | 409 | 925 | -- | -- | -- | 925 | -- | 924 | 18 | 6 | -- | -- | -- | 924 | 18 | 6 | -- | 1 | 6 | -- |
| 12 | National Gallery - - - - - | 411 | 2,965 | -- | -- | -- | 2,965 | -- | 2,822 | 3 | 10 | -- | -- | -- | 2,822 | 3 | 10 | 142 | 16 | 2 | -- |
| 13 | Queen's Colleges - - - - - | 413 | 10,300 | -- | 5,500 | -- | 4,800 | -- | 9,855 | 15 | 2 | 5,055 | 15 | 2 | 4,800 | -- | -- | -- | -- | -- | -- |
| TOTAL - - - - - | | | £ 13,416,476 | -- | 61,218 | -- | 13,355,258 | -- | 13,398,597 | 8 | 7 | 55,342 | 17 | -- | 13,343,254 | 11 | 7 | 12,003 | 8 | 5 | -- |

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March 1903--continued.

| Number of Vote. | SERVICE | Reference to detailed Account in Parliamentary Paper, No. 29, of 1904. | Grants and Estimated Receipts, 1902-1903. | | | Expenditure, 1902-1903. | | | Differences between Exchequer Grants and Net Expenditure. | |
|-----------------|--|--|---|--------------------------------------|-------------------|-------------------------|-------------------------|------------------|---|-----------|
| | | | Estimated Gross Expenditure. | Estimated Receipts in Aid of Grants. | Exchequer Grants. | Gross Expenditure. | Actual Receipts in Aid. | Net Expenditure. | Surpluses. | Deficits. |
| | | | | | | | | | | |
| | CLASS V. | Page. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. | £. s. d. |
| | FOREIGN AND COLONIAL SERVICES. | | | | | | | | | |
| 1 | Diplomatic and Consular Services | 424 | 630,390 - - | 92,820 - - | 537,570 - - | 620,570 15 8 | 94,080 14 - | 526,490 1 8 | 11,079 18 4 | - - |
| 2 | Uganda, Central and East Africa Protectorates and Uganda Railway | 436 | 784,693 - - | - - - - | 784,693 - - | 784,692 19 - | - - - - | 784,692 19 - | - 1 - - | - - |
| 3 | Colonial Services | 456 | 3,626,051 - - | - - - - | 3,626,051 - - | 3,620,701 3 3 | - - - - | 3,620,701 3 3 | 5,349 16 9 | - - |
| 4 | Cyprus (Grant in Aid) | 481 | 30,000 - - | - - - - | 30,000 - - | 30,000 - - | - - - - | 30,000 - - | - - - - | - - |
| 5 | Telegraph Subsidies and Pacific Cable | 489 | 200,600 - - | 17,375 - - | 183,225 - - | 200,600 - - | 17,375 - - | 183,225 - - | - - - - | - - |
| 6 | Cretan Loan | 491 | 40,000 - - | - - - - | 40,000 - - | 40,000 - - | - - - - | 40,000 - - | - - - - | - - |
| 7 | Treasury Chest Fund | 492 | 158,000 - - | - - - - | 158,000 - - | 156,327 19 1 | - - - - | 156,327 19 1 | 1,672 - 11 | - - |
| 8 | Transvaal and Orange River Colony | 493 | 8,000,000 - - | - - - - | 8,000,000 - - | 8,000,000 - - | - - - - | 8,000,000 - - | - - - - | - - |
| | TOTAL | £. | 13,469,734 - - | 110,195 - - | 13,359,539 - - | 13,452,892 17 - | 111,455 14 - | 13,341,437 3 - | 18,101 17 - | - - |
| | CLASS VI. | | | | | | | | | |
| | NON-EFFECTIVE AND CHARITABLE SERVICES. | | | | | | | | | |
| 1 | Superannuation and Retired Allowances | 497 | 607,950 - - | - - - - | 607,950 - - | 590,247 19 7 | - - - - | 590,247 19 7 | 17,702 - 5 | - - |
| 2 | Merchant Seamen's Fund Pensions | 503 | 3,700 - - | - - - - | 3,700 - - | 3,132 10 3 | - - - - | 3,132 10 3 | 567 9 9 | - - |
| 3 | Miscellaneous Charitable and other Allowances | 505 | 1,658 - - | - - - - | 1,658 - - | 1,632 7 8 | - - - - | 1,632 7 8 | 25 12 4 | - - |
| 4 | Hospitals and Charities, Ireland | 507 | 17,577 - - | 145 - - | 17,432 - - | 17,517 2 - | 147 8 7 | 17,369 13 5 | 62 6 7 | - - |
| | TOTAL | £. | 630,885 - - | 145 - - | 630,740 - - | 612,529 19 6 | 147 8 7 | 612,382 10 11 | 18,357 9 1 | - - |
| | CLASS VII. | | | | | | | | | |
| | MISCELLANEOUS. | | | | | | | | | |
| 1 | Temporary Commissions | 513 | 44,000 - - | - - - - | 44,000 - - | 35,731 11 - | - - - - | 35,731 11 - | 8,268 9 - | - - |
| 2 | Miscellaneous Expenses | 522 | 40,705 - - | 8,200 - - | 32,505 - - | 39,068 18 11 | 10,128 8 - | 28,940 10 11 | 3,564 9 1 | - - |
| 3 | Repayments to the Local Loans Fund | 526 | 25,141 - - | - - - - | 25,141 - - | 25,140 15 4 | - - - - | 25,140 15 4 | - 4 8 | - - |
| 4 | Coronation of His Majesty | 527 | 125,000 - - | - - - - | 125,000 - - | 124,750 7 4 | - - - - | 124,750 7 4 | 249 12 8 | - - |
| 5 | Repayments to the Civil Contingencies Fund | 529 | 4,276 - - | - - - - | 4,276 - - | 4,275 10 7 | - - - - | 4,275 10 7 | - 9 5 | - - |
| 6 | Indian Coronation Guests | 530 | 70,000 - - | - - - - | 70,000 - - | 68,247 10 1 | - - - - | 68,247 10 1 | 1,752 9 11 | - - |
| | TOTAL | £. | 309,122 - - | 8,200 - - | 300,922 - - | 297,214 13 3 | 10,128 8 - | 287,086 5 3 | 13,835 14 9 | - - |

APPENDIX, No. 2.

PAPER handed in by Mr. *Robert Chalmers*, C.B.

PUBLIC ACCOUNTS COMMITTEE, 1904.

TREASURY MINUTE, dated the 19th December, 1904, on the Second Report relating to Civil and Miscellaneous Accounts, 1902-03.

21087/04.)

1. My Lords read the Second Report of the Public Accounts Committee, 1904, which relates to the Civil Service, Revenue Departments, and Miscellaneous Accounts for 1902-03.

2.—CLASS I, VOTES 1 AND 7.

Write to the First Commissioner of Works.

My Lord,

I AM directed by the Lords Commissioners of His Majesty's Treasury to transmit for your Lordship's information the enclosed copy of paragraphs 2, 3 and 4 of the Second Report of the Public Accounts Committee, 1904, referring to cases of great variation between grant and expenditure in respect of works under your Department, and to the revised method of apportionment of certain charges between the Postal and Telegraph Services.

With regard to the cases in which wide divergence is shown between the estimated and the actual expenditure on particular works, My Lords are well aware of the difficulties incidental to the execution, in strict accordance with estimates, of works which are carried out by one Department on behalf of another; and that some, though not all, of the cases to which the Committee direct attention are of this kind. They desire, however, that you will carefully consider the possibility of obviating such results, in so far as they are due to this cause (1) by requiring from Departments the fullest information as to their requirements in connection with each work before the estimate is prepared for presentation to Parliament, and (2) by intimating to Departments that subsequent variations involving material addition to the estimate cannot be admitted unless justified by exceptional circumstances.

I am, etc.,

3.—CLASS II, VOTE 8.

The Committee express the opinion that such a service as that which is provided for by the Grant in Aid of the expenses of the Advisory Board for Commercial Intelligence should form the subject of an ordinary estimate, whereby any portion of the Grant unexpended at the close of the financial year would be subject to surrender. My Lords have brought this view under the notice of the Board of Trade in a letter of the 3rd instant, suggesting that the whole of the expenditure to be incurred in connection with, or on the recommendation of, the Advisory Committee should henceforth appear with the usual detail on the Board of Trade Vote.

4.—CLASS II, VOTE 23.

Write to the Controller, H.M. Stationery Office.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for your information the enclosed copy of paragraph 5 of the Second Report of the Public Accounts Committee, 1904, respecting the supplies of Stationery obtained locally by Army Paymasters in South Africa, and those obtained by the Imperial Yeomanry Committee.

I am, etc.

5.—CLASS II, VOTE 27.

Write to the Under Secretary, Scottish Office.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you to be laid before the Secretary for Scotland the enclosed copy of the 6th paragraph of the Second Report of the Public Accounts Committee, 1904, which deals with the balance of the Congested Districts Board (Scotland) Fund. As the balance had accumulated to a sum of 86,114*l.* 6*s.* 9*d.* and remained on deposit receipt in one of the Scotch Banks, the Committee suggest the advisability of providing for the investment of such a balance in Treasury Bills or similar Government securities

0.3

There does not appear to be any legal obstacle to the investment of the balance of the Fund. But an Office or Department entrusted with the charge of a public fund of this nature, in the absence of an express direction from Parliament for its investment, would be liable to be called to account if any investment were made which resulted in a diminution of the principal of the Fund. The risk of such loss by investments in Treasury Bills or Exchequer Bonds is much less than in the case of investments in securities of a fluctuating nature; but even in the case of Bills and Bonds the possibility of loss cannot be entirely eliminated when it may be necessary at any time, for the purpose of meeting the liabilities of the Fund, to realise the securities, regardless of market conditions, in advance of their maturity.

My Lords understand that the Congested Districts Board would have raised the question of investment if they had been able to foresee that so large a balance would remain for so long on hand. The Board anticipated, however, that the opportunity for a considerable purchase of land might have arisen at an earlier date. The money on deposit between 1900 and 1903 earned rates of interest varying between $1\frac{1}{2}$ and $3\frac{1}{2}$ per cent., the rate for the greater part of the period being $2\frac{1}{2}$ per cent. It does not appear therefore that a substantially better return would have been gained by investment, regard being had to the expenses incidental thereto.

This question of the deposit of public moneys with Private Banks is specially a Scottish question. It does not arise in England and Ireland, where similar balances are lodged with the Bank of England and the Bank of Ireland. These Banks do not directly pay interest on the Government moneys in their hands, but the advantage which they derive from the possession of Government moneys is one of the factors taken into account in fixing their remuneration for services rendered to Government.

It was stated before the Committee that the purchases for which the balance of the Congested Districts Board Fund was accumulated had since been effected, and that the large balance would no longer appear. I am to request that you will move the Secretary for Scotland to cause my Lords to be furnished with a return of any other funds under the control of the Departments in Scotland of which the balances are placed on deposit with the Banks, in order that it may be considered whether in any case investment could with advantage be resorted to. No investment should, however, be made of funds for which no express direction is in force, except after consultation with this Board.

I am, etc.

6.—CLASS IV., VOTE 3.

Write to the Trustees of the National Gallery.

My Lords and Gentlemen,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit, for your information, the enclosed copy of the 7th paragraph of the Second Report of the Public Accounts Committee, 1904, referring to the sale by the National Gallery officials of Messrs. Cassell's Illustrated Catalogue, which has been discontinued under your resolution of the 11th May last.

I am, etc.

7.—CLASS IV., VOTE 12.

After the delay in rendering the Accounts of the National Gallery, Ireland, had been reported to the Committee, at their meeting on May 13th, my Lords at once took steps to bring the Committee's views to the notice of the Director. They are pleased to learn from the Comptroller and Auditor-General that the accounts have ever since being punctually rendered.

8.—CLASS V., VOTE 8.

Write to the Under Secretary of State, Colonial Office.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you, to be laid before the Secretary of State for the Colonies, the enclosed copy of the 10th paragraph of the Second Report of the Public Accounts Committee, 1904, dealing with the Grants in Aid of the South African Constabulary.

As regards the Grants in Aid of the cost of maintenance and equipment of the force for the period ended the 30th June, 1902, My Lords have already by Their letter to the Colonial office on the 11th ultimo expressed Their concurrence in the view of the Committee that any balance remaining after providing for expenditure incurred up to the 30th June, 1902, should be surrendered to the Exchequer.

With reference to the Committee's observations on the form of the Estimate for the final Grant voted in the spring of 1903, My Lords recognise that it was through an omission, which They regret, on the part of the Treasury that the Estimate as submitted to Parliament gave no indication of the special condition attaching to that Grant.

9.—CLASS VII., VOTE 4.

My Lords take note of the Committee's opinion, in which They concur, that the Estimate presented for such part of the expenses connected with the Coronation as required special provision should have been accompanied by an explanation that the sum so provided represented only a portion of the cost to be incurred.

10.—CLASS VII., VOTE 6.

On the Account of the Vote for Indian Coronation Guests, a sum of 89*l.* 9*s.* 9*d.* was disallowed by the Comptroller and Auditor-General because vouchers for the payments had not been received. Those vouchers have since been received from India and furnished to the Comptroller and Auditor-General, so the Account may stand as rendered by the Accounting Officer.

REVENUE DEPARTMENTS.

VOTES 3, 4 and 5.

Write to the Postmaster-General.

My Lord,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for your Lordship's information the enclosed copy of the 12th paragraph of the Second Report of the Public Accounts Committee, 1904, respecting the proposed amalgamation of the three Votes for the Services under your control.

My Lords will be glad to learn in due course whether you think it desirable that the proposal should be again brought before the Committee next Session.

I am, etc.

12. Write to the Comptroller and Auditor-General.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to transmit for your information the enclosed copy of Their Minute, dated the 19th December, 1904, on the Second Report of the Public Accounts Committee, 1904.

I am, etc.

APPENDIX No. 3.

PAPER handed in by Mr. *Robert Chalmers*, C.B.

TREASURY MINUTE on the REPORTS from the PUBLIC ACCOUNTS COMMITTEE, 1904, dealing with NAVY and ARMY ACCOUNTS for 1902-3.

(19638/04.)

30th November, 1904.

My Lords have before Them the First and Third Reports from the Public Accounts Committee, 1904, and are pleased to give the following directions thereon :—

1. Write to the Secretary to the Admiralty :—

Sir,

The Lords Commissioners of His Majesty's Treasury direct me to transmit, to be laid before the Lords Commissioners of the Admiralty, a copy of the First Report from the Public Accounts Committee, 1904, dealing with Navy Accounts, 1902-03 ; and I am to communicate to you the following observations thereon :—

(i.) The Committee "call attention to the constant practice of obtaining Treasury authority for the application of Savings under one Vote to meet the deficiency on another and a totally different service"; they regard this practice as "growing," and "think the attention of the House of Commons should be called to it as seriously affecting the control of Parliament over the public expenditure." In view of this expression of opinion by the Committee, My Lords think it well to deal with the subject generally.

The following figures of gross expenditure indicate the facts for the last ten years for which audited accounts are available :—

(A).—TRANSFERS BETWEEN NAVY VOTES.

| YEAR. | Total Gross Expenditure. | Excess of Actual Gross Expenditure over Estimated Gross Expenditure. | Percentage. |
|---------------------|-----------------------------|---|-------------|
| | £. | £. | |
| 1902-3 - - - - - | 32,327,715 | 388,335 | 1·20 |
| 1901-2 - - - - - | 32,249,378 | 206,224 | ·63 |
| 1900-1 - - - - - | 31,169,727 | 288,156 | 92 |
| 1899-1900 - - - - - | 26,079,945 | 1,151,719 | 4 26 |
| 1898-9 - - - - - | 24,935,358 | 637,516 | 2·55 |
| 1897-8 - - - - - | 21,837,416 | 595,246 | 2·72 |
| 1896-7 - - - - - | 23,190,957 | 346,604 | 1 49 |
| 1895-6 - - - - - | 20,543,278 | 59,303 | 28 |
| 1894-5 - - - - - | 18,571,101 | 402,190 | 2 16 |
| 1893-4 - - - - - | 15,297,425 | 175,749 | 1·14 |
| 1892-3 - - - - - | 15,330,857 | 297,517 | 2·59 |

(B). TRANSFERS BETWEEN ARMY VOTES.

| YEAR. | Total Gross Expenditure. | Excess of Actual Gross Expenditure over Estimated Gross Expenditure. | Percentage. |
|-------------------|-----------------------------|---|-------------|
| | £ | £ | |
| 1902-3 - - - - | 79,329,275 | 2,235,435 | 2·81 |
| 1901-2 - - - - | 98,654,470 | 4,796,940 | 4·86 |
| 1900 1 - - - - | 96,242,034 | 5,028,841 | 5·22 |
| 1899-1900 - - - - | 46,133,657 | 950,385 | 2·05 |
| 1898-9 - - - - | 23,892,769 | 268,594 | 1·12 |
| 1897-8 - - - - | 22,652,077 | 151,696 | ·66 |
| 1896-7 - - - - | 21,182,324 | 125,621 | ·59 |
| 1895-6 - - - - | 21,380,673 | 76,290 | ·35 |
| 1894-5 - - - - | 20,598,152 | 51,929 | ·25 |
| 1893-4 - - - - | 20,884,902 | 69,426 | ·33 |
| 1892-3 - - - - | 20,703,813 | 240,293 | 1·15 |

As a whole, these figures, My Lords submit, do not indicate that growing tendency which the Committee apprehended, although during the late South African War, the War Office percentages have been temporarily increased beyond the smaller proportions which obtained before 1899.

The Treasury powers of temporary *virement*, which can only be exercised in conjunction with the spending Department concerned, are derived from the Appropriation Act of each year. The history of those powers is given in the Second Report of the House of Commons Committee appointed in 1862 for the examination of the Accounts showing the Appropriation of the Sums granted by Parliament to meet the Public Expenditure. As is pointed out in paragraph 79 of the Second Report of the Public Accounts Committee of 1879, the Committee of 1862, on a full consideration of the many difficulties attending the question, recommended the practical continuance of the power of transfer, but stipulated that (as is provided by the 4th Section of the Annual Appropriation Act) such transfers should be considered as temporary advances requiring the subsequent sanction of Parliament. Such ultimate and final sanction is normally given by Section 5 of the Appropriation Act of two years later, after consideration of the matter by the House in Committee.

The Estimates for Navy and Army Services are given their final form some weeks before the commencement of the financial year to which they relate; and much of the information upon which they are founded has to be collected considerably before that date. Under such circumstances, the necessity must sometimes arise for incurring expenditure which was not provided for and which it is detrimental to the public service to postpone till provision can be made for it by Parliament in the usual course. It is only in these cases that the Treasury is empowered by the Annual Appropriation Act to authorise such excess expenditure on (*e.g.*) one Navy Vote being defrayed out of savings on another Navy Vote, without excess on the aggregate of Navy grants for the year. My Lords, like Their predecessors of 1879, are deeply sensible of the responsibility which They incur in sanctioning under Their annual powers any material departure from the detailed Estimates on the strength of which Parliament has granted public money to a Department; but, while They do not shrink from incurring that responsibility whenever the public interest appears to dictate it, Their Lordships have constantly in view the supreme control of Parliament over the public expenditure and have repeatedly withheld Their sanction from proposals of public Departments, which seemed to This Board to militate against the principle of Parliamentary control over public expenditure. If, however, Treasury sanction is given, My Lords seek to apprise Parliament at the earliest possible moment of any considerable departure from the original scheme of Navy or Army expenditure; and, in accordance with Mr. Monk's Resolution of 4th June, 1879, statements are laid annually before the House of Commons shewing, for Navy and for Army respectively, the cases in which the Treasury has sanctioned the application of surpluses on one Vote to meet a deficiency on another Vote within the financial year. In the important case of the Shipbuilding Programme it is the practice to lay separately before Parliament at the earliest opportunity a statement of any considerable change even though such change involves merely a reallocation of money under a single Navy Vote and not a transfer between Vote and Vote.

My Lords understand the Committee to suggest not the abolition of the existing system but its restriction in practice to the limits imposed annually by Parliament. Both the Board of Admiralty and the Army Council will no doubt concur with This Board in desiring to observe these limits as closely as possible.

(ii.) Their Lordships of the Admiralty will take note of the observations of the Committee on the subject of repairing ships by contract, a system which is acknowledged to be more costly, and not to admit of accurate check. From your letter of the 30th March 1904 (No. 2 E. 1255/1303) My Lords were glad to learn that their Lordships of the Admiralty anticipated a substantial reduction of the heavy charges for arrears of repairs which have been included in the Navy Estimates of recent years; and They will be obliged if the Board of Admiralty, in transmitting the Estimate of Navy Vote 8 III. for 1905-6, will favour them with an indication of their general policy in connection with this branch of Naval expenditure. The allied question of the expensive repairs and refit of the "Niger" and "Gossamer" is dealt with by the Committee under Dockyard Expense Account.

(iii.) In connection with the remission of penalties, it is not the case that "no penalties can be waived without the authority of the Treasury." Such power of waiver is not infrequently vested in the Admiralty by the express terms of the contract; and in such cases (*e.g.* delay in construction) the Treasury does not intervene. I am to add that My Lords are not aware that any cases exist in which this power is vested in the Board of Admiralty if deficiency of quality is concerned, *i.e.*, where the full contract price is claimed for an inferior article.

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(iv.) In connection with Greenwich Hospital funds awaiting permanent investment, the Committee suggest that there should be no delay in temporarily investing such moneys in Treasury Bills "which can be realised at any time without loss." This statement is of course true, if the Bills are held till they mature, *i.e.* not "realised" during their currency; but if they are sold before maturity, there is the possibility of loss (though within small limits), should the rate of discount at the time of sale exceed that ruling when they were bought.

(v.) As regards the Naval Works Acts accounts, their Lordships of the Admiralty have now presented a statement (Cd. 2179 of 1904) shewing the estimated expenditure on each Loan work during 1903-4 and 1904-5.

The Committee express the opinion that "Parliament should not be asked on a token Vote of a few thousand pounds to commit itself to the construction of a new work, of which the total cost may run into millions and of which not even an approximate estimate is submitted." My Lords, while entirely agreeing with the principle of the Committee's observation, do not admit that in practice Parliament has been so committed. In connection, for example, with the "token" provision of 50,000*l.*, in the Naval Works Act, 1903, for the Chatham Dockyard Extension, My Lords, in the Treasury Letter (10658/04) of 25th June last, stated to the Admiralty that They "do not accept the contention that Parliament has sanctioned this service in principle further than to provide the above token sum for preliminary work." And similarly with regard to Rosyth, the Admiralty representative before the Committee stated (Q. 1,111) as follows:—"At Rosyth you gave us authority to undertake works to the extent of 200,000*l.*, and no liability has been incurred beyond the 200,000*l.* We have pledged ourselves that we shall not incur liability in excess of that, and the Treasury hold us to that. That is the obligation upon us."

(vi.) The concluding paragraphs of the Committee's First Report deal with the general question of providing by means of loans for Naval and other works, and deprecate the continuance of the practice. Without entering here into a discussion of the exceptional works of magnitude and permanence which may be held to justify procedure by loan to the relief of the Votes of a particular year, My Lords think it may be convenient to record the steps that have been taken departmentally towards finality in the matter of both Naval and Military Works Loans.

In submitting the Naval Works Loan Bill of 1903, the Lords Commissioners of the Admiralty, on 18th June 1903 (No. 2 E. 2969/2134), expressed themselves "prepared to agree that they will not propose any new items hereafter beyond those referred to in the present communication." In reply, My Lords on 29th June 1903 (10880/03) stated that—"the Bill of 1903 will thus be final as regards items, though not final as regards the total amount which will be required for the complete scheme of the Admiralty"; and, in accepting the revision then proposed of the estimated cost of existing items, My Lords recorded "Their strong opinion that this revision must be final, and that no increase should be allowed to arise hereafter on an existing item, unless counterbalanced by a saving on another existing item, *i.e.*, that finality has now been reached on the aggregate of the total estimates of items existing in 1901."

Similarly, in writing to the War Office on 15th July 1903 (11937/03), with regard to the Military Works Bill of that year, My Lords urged that "there must be finality in the demands for these works on the Exchequer," and invited "an assurance (such as has been given for Naval Works by the Lords Commissioners of the Admiralty) that no new items will be admitted after 1903, and that accordingly a comparatively moderate sum will suffice to complete the provision for the scheme." On 29th July 1903 (12984/03), My Lords expressed "again Their earnest hope that the present Bill will practically close the War Office demands on the Exchequer for Loan services," adding that They understood that "the five millions in the Bill will complete for practical services the housing of the combatant forces; and, if so, accessories and the housing of Departments, &c., might well be left to be provided from Army Vote 10."

(vii.) In paragraph vi. of the Treasury Letter (21557/03) on the Reports from the Public Accounts Committee of 1903, My Lords drew the attention of the Board of Admiralty to the Treasury Letter (12474/03) of 21st August 1903, respecting Incidental Charges at Dockyards, a question which was dealt with by the Public Accounts Committee of 1902. My Lords are still awaiting an expression of the views of their Lordships of the Admiralty, though They note that, in replying to Q. 1182 before the Committee of 1904, the Admiralty representative intimated that their Lordships of the Admiralty had consented to the appointment of a Committee. It would be well if that Committee were appointed forthwith, so as to enable a settlement to be reached, before next year's Public Accounts Committee meets, on the questions suggested in the Treasury letter (17635/02) of 24th November 1902.

I have the honour to be,
Sir,
Your obedient Servant,

My Lords read the remarks of the Public Accounts Committee on the Imperial Military Railways of South Africa.

A sum of 1½ millions was expended on Military Account in South Africa on Railways up to 30th June 1902. It is not suggested by the Committee that the expenditure of the money was other than necessary at the time for the working of the railways, and indeed, by a Supplementary Estimate 1903-4, Parliament has consented to authorise it. Objection is taken by the Committee not to the expenditure in itself, but to the fact that it was incurred for a purpose which had not been sanctioned by Parliament. Such sanction was not obtained at once because the War Office thought they would recover the money from the Transvaal; and they consequently placed the expenditure in a Suspense Account, in accordance with the general practice which prevails when the recovery of the money is expected, while the amount outstanding was shewn in the statements appended to the Army Appropriation Accounts both for 1901-2, and 1902-3.

Having regard, however, to the amount involved, My Lords recognise that the proper course would have been to lay the case before Parliament as soon as the facts were ascertained, in order to obtain Parliamentary sanction in Supply to an expenditure which, though incidental to the war, and necessitated by the circumstances of the time, was of a character so exceptional as not to have been before Parliament when sanctioning the grants from which the expenditure was defrayed. For this omission to present an Estimate before the end of 1903-4, responsibility rests on the Treasury and War Office jointly, and regret has already been expressed both in the House of Commons and before the Public Accounts Committee that the omission should have occurred, though it must be remembered that this was the first occasion on which an attempt was made to carry on war on an enormous scale with Estimates submitted in detail to Parliament beforehand, and that had the old system, whereby Votes of Credit were taken, been continued, there would have been no necessity to go to Parliament for specific sanction at all.

With regard to the Committee's remark in their concluding paragraph under the heading of Imperial Military Railways, My Lords desire to point out that in the case of a service involving large expenditure in all parts of the world, there must necessarily be at all times a considerable amount of cash in the sub-accountants' hands; that this amount obviously had to be largely increased in a state of war, and that it was due to this increase and to the delay in rendering accounts which the war made inevitable, that it was possible so largely to exceed the expenditure authorised by Parliament.

My Lords observe with satisfaction that in the exercise of the responsibility which rests on the Army Council and their Accounting Officer, "special attempts have been made to reduce the amount outstanding on suspense accounts to the minimum consistent with efficiency, and to secure that they are not opened for other than clearly Army services."

Write to the Secretary, War Office :—

Sir,

The Lords Commissioners of His Majesty's Treasury direct me to transmit to you, to be laid before the Army Council, a copy of the Third Report from the Public Accounts Committee, 1904, dealing with Army Accounts, 1902-3.

The enclosed extract from Treasury Minute of this day's date deals with the paragraphs of the Committee's Report under the heading of "Imperial Military Railways"; and as regards the other paragraphs in the Report, I am to communicate to you the following observations thereon :—

(i.) The Committee call attention in several paragraphs of the Report to defects in accounting during the recent South African War, which are attributed to the absence of skilled accountants. My Lords, in connection with the Reports of the Esher Committee, have assented generally to a reorganisation of the Army Finance Department on lines which will provide for the further devolution of detail duties from headquarters; and they have now received the establishment scheme which has been framed by the Army Council.

Adverting to the Treasury Minutes of 1872, 1881, 1882 and 1883 on the Reports from the Public Accounts Committees, with reference to the duties of Accounting Officers, My Lords think it well to record that such devolution will not affect the personal responsibility of the Director of Army Finance, as Accounting Officer, for the whole expenditure contained in the Army Appropriation Account and certified by him thereon not to have been incurred without authority superior to that of the War Department in cases where such superior authority is required by the regulations. His Officers will compose the Army Finance Department; and their power of allowing expenditure from Army moneys will be those delegated to them by him and will not be subject therein to authority other than his.

(ii.) As regards the payments to Major-General Sir C. Knox and his Aide-de-Camp from the special sum of 5,000*l.* per annum placed at the disposal of the Secretary of State for War since 1901, My Lords are glad to learn from your letter (No. 1/G. No. 121) of 20th July last (which dealt with a similar payment from the special 5,000*l.* fund, notwithstanding a refusal of the Treasury to sanction the item separately) that "the discussion on the case of Major-General Knox before the Public Accounts Committee in June last has, however, made it clear that it is not to be regarded as permissible under any circumstances to charge against the special fund any payment which the Treasury has definitely declined to sanction; and the Council desire to assure Their Lordships that this rule will in future be strictly observed."

(iii.) The Army Council will observe that the Committee hold that, since a liability was imposed by the War Office agreements with the Cape and Natal Railways, such agreements should have been submitted to the Treasury before a settlement was effected.

(iv.) With reference to the expenditure by the British South African Company on behalf of the War Office for the Rhodesian Field Force, it is presumed that any further information which may have been obtained with regard to these accounts and to outstanding balances is before the Comptroller and Auditor-General, and so will be available for consideration by the Public Accounts Committee in 1905.

(v.) As regards the final account of the Imperial Yeomanry Committee, My Lords were under the impression that the capitulation allowances were originally intended not as imposts to be accounted for in detail, but as lump sum contributions to enable the Committee to equip the force to the satisfaction of the War Office. I am to request an expression of the Council's views on this point.

(vi.) With reference to the final payment to the Cape Government for miscellaneous services, My Lords are aware that no settlement has yet been reached with regard to the rebate of Cape customs duties, which has been claimed by the War Office to the amount of 170,000*l.*

(vii.) In the case of sales of surplus stores, the Army Council will doubtless give practical effect to the recommendation of the Committee that in future all officers conducting sales should be instructed to report how the sales were conducted, and whether the best prices obtainable were realised.

It is essential that evidence should be forthcoming as a matter of course to show, in all cases of such sales, that the most profitable course was taken which circumstances were held to permit and that reasonable grounds existed for accepting a price below the minimum price at which tenders were invited.

As regards the case of Colonel Colenbrander, Their Lordships understand that it was not possible to obtain further security than was actually obtained and that the bargain made was regarded as advantageous to the War Office. As the Council are aware, a claim has recently been preferred by the Transvaal Government for a rebate on horses, &c., similarly sold to them by the War Office at the close of the war.

(viii.) In connection with the Committee's observations on Concentration Camps, it may be noted that the Transvaal Government have appealed against the charge to them of the sum of 126,000*l.* for rations, &c., supplied to burghers on leaving these camps. The matter is still under consideration.

(ix.) Their Lordships have received the Report of the War Office Committee on the administration of the Durban Supply Depot during the years 1899-1903, and, by letter (No. 15555/04) of 19th September last, have concurred in the proposal of the Army Council to write off the deficiency of 32,000*l.* (being 4 per cent. of the turnover) which is believed to arise from errors of account and not to represent actual loss to the State.

As the Council are aware from the above letter, and from the further Treasury Letter (No. 18533/04) of the 11th instant, a decision has not yet been reached on the subject of Rations destroyed in South Africa.

The Council will note the expression of the Committee's views on the subject of the purchase of tobacco for an tenn purposes.

(x.) In view of the Committee's Report to Parliament in favour of the proposed changes in the form of Army Estimates necessitated by the recent re-constitution of the War Office, My Lords, in the absence of objection thereto by the House of Commons, sanction those changes being made in the forthcoming Army Estimates for 1905-c, subject to the addition thereto of a summary showing the Estimates in their new and in their old form for the purpose of comparison and with a view of preserving continuity.

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(xi.) No further observations from this Board appear to be called for on the remaining paragraphs of the Committee's Third Report.

(xii.) In conclusion, I am to transmit a copy of the Committee's First Report (relating to Navy Accounts) and of the Treasury Letter thereon of even date herewith, and to request that you will draw the attention of the Army Council to paragraphs (i.) and (vi.) of that letter.

I have the honour to be,
Sir,
Your obedient Servant

3. Write to the Comptroller and Auditor-General :—

Sir,
I am directed by the Lords Commissioners of His Majesty's Treasury to transmit, for your information, a copy of Their Minute on the Reports from the Public Accounts Committee, 1904, dealing with Navy and Army Accounts for 1902-03

I have the honour to be,
Sir,
Your obedient Servant

APPENDIX No. 4.

PAPER handed in by Sir Guy Fleetwood Wilson, C.B., 31st March 1905.

[COPY.]

53/Cape/9081.

War Office, London, S.W.
16 December 1904.

Sir,

WITH reference to your letter of the 11th ultimo, No. 18533/04, relative to rations destroyed in South Africa, I am commanded by the Army Council to transmit, for the information of the Lords Commissioners His Majesty's Treasury, a statement giving amended details regarding the numbers of destroyed meat and vegetable rations supplied by the various contractors, further particulars on this point having now been included.

This still leaves a large number as "not known," nearly all of which were hurriedly destroyed at Durban as a danger to health owing to their bad condition, and no further information in regard to them is now obtainable. There can, however, be no doubt that, if known, they would swell the numbers already shown against the various contractors whose names appear in the statement.

The total value, at average cost price, of the destroyed rations is as follows:—

| | | |
|--|-------|-----------------|
| Emergency Rations—1,034,532 at 1s. 4d. each | - - - | £ 68,969 |
| Meat and Vegetable Rations—4,537,090 at 1s. each | - - - | 226,854 |
| | | <u>£295,823</u> |

I am to add that this office letter of the 14th April 1903, relative to Emergency Rations, gave the total number supplied by Messrs. Maconochie Bros., viz., 1,790,000. Of this number 945,137 were condemned in South Africa, and 497,125 at home. The former number only are included in the statement, as the latter were returned to Messrs. Maconochie Bros. to be replaced. This was done to the extent of 365,600, many of which, however, have subsequently been found to be unsound. The proposed final settlement of this part of the question has been placed before Their Lordships in War Office letter No. 53/Cape/9062, dated the 29th ultimo. The letters of the 7th April and 9th September last, referred to by you, dealt with rations condemned at Pretoria and Durban, respectively, the numbers of which, together with other smaller condemnations, were included in the original statement forwarded on the 2nd ultimo.

It is observed that the Emergency Rations shown in the Report of the War Office Committee on the Administration of the Durban Supply Depot, 1899-1903, as destroyed in 1903, were actually destroyed in 1902, and are included in the number, 945,137, above referred to.

The Army Council will be glad to receive Their Lordships' final approval of the Report of the Committee on the Administration of the Durban Supply Depot.

The Secretary, Treasury.

I have, etc.,
(signed) E. W. D. Ward.

53/Cape/9081.

AMENDED STATEMENT.

CONDEMNATION of EMERGENCY RATIONS and MEAT and VEGETABLE RATIONS in SOUTH AFRICA.

| | Emergency Rations. | Meat and Vegetable Rations. |
|--|--------------------|-----------------------------|
| Condemned during the period of hostilities - | 974,630 | 257,612 |
| Condemned since the termination of hostilities - | 59,902 | 4,269,478 |
| TOTAL - - - | 1,034,532 | 4,537,090 |

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 NAMES of CONTRACTORS by whom the above were supplied.

| | Emergency Rations. | Meat and Vegetable Rations. |
|--|--------------------|-----------------------------|
| Maconochie Brothers, Limited - - - - - | 955,727 | 1,484,511 |
| Poulton and Noel - - - - - | — | 491,512 |
| London Canning Company - - - - - | — | 210,279 |
| Moir and Wilson - - - - - | — | 376,236 |
| Moir and Sons - - - - - | — | 176,618 |
| Davidson, R. and W. - - - - - | — | 93,436 |
| Sturton Brothers - - - - - | — | 23,100 |
| Bruce, W. - - - - - | — | 301,158 |
| Aberdeen Preserving Company - - - - - | — | 2,498 |
| Duhamel and Company - - - - - | — | 9,856 |
| Milne and Son - - - - - | — | 20,720 |
| Morton, C. and E. - - - - - | — | 46,732 |
| Bovril, Limited - - - - - | 2,101 | — |
| Chamberlain, H. R. - - - - - | 19,389 | — |
| Woolwich - - - - - | 4,845 | — |
| Not known - - - - - | 52,470 | 1,300,524 |
| TOTAL - - - - - | 1,034,532 | 4,537,090 |

APPENDIX No. 5.

PAPER handed in by Sir *Guy Fleetwood Wilson*, C.B.

MACONOCHIE CASE.—EMERGENCY RATIONS.

COPIES OF MINUTES AND CORRESPONDENCE RELATING TO THE QUESTION OF THE
TWO YEARS' WARRANTY.

No. 1.

131, Leadenhall Street, London, E.C.,
28 November 1899.

To the Director of Army Contracts, War Office, Pall Mall.

Sir,
We have the honour to confirm verbal instructions received from you to-day to proceed with the manufacturing of 300,000 of Emergency Rations at our Scotch Works as per sample tin approved by you and Colonel Boyd. Would you kindly give us delivery order to obtain the 4,000 lb. weight of Pemman we understand they have in stock at Woolwich, so that we could send it off by the steamer at once to Fraserburgh, you charging us cost price, we either sending you cheque for the amount or you deducting it from our accounts and much oblige.

The writer will call on Thursday as instructed at 10.30 if that will be convenient to you, or any other time you may appoint.

Yours faithfully,
(Signed) MACONOCHIE BROS.

No. 2.

MINUTES of the Director of Contracts, Sir Alfred Major, dated November 1899.

Q.M.G.

"*To see replies enclosed.

"Maconochie can promise very quick deliveries, especially if we can supply him with a little Pemman to begin with, of which I understand you could for the moment spare a couple of tons.

"They have been instructed to go on."

(Initd.) A. M.
28/11/1899.

D. of C.

"We have ordered Maconochie to be supplied with two tons Pemman from Supply Depot.

"I understand that 166,300 Emergency Rations have been shipped in all to South Africa, which does not provide for those contemplated by regulation, see War Establishments, 1898—Table 2—page 8.

"We should get out 500,000 as speedily as possible."

(Signed) CHAS. M. CLARKE, Q.M.G.

30/11/1899.

"Maconochie ordered to proceed with 300,000 Emergency Rations, and tender sent him for signature.

30/11/1899.

(The next minute refers to rations from other Contractors).

See Maconochie's tender for 300,000 at 1s. 5d. each. Accept."

(Initd.) A. M.
2/12/1899.

No. 3

131, Leadenhall Street, London, E.C.
2 December 1899.

Director of Army Contracts, War Office, Pall Mall.

DEAR SIR,

We have the honour to enclose (see No. 4) formal tender for Emergency Rations as arranged, we have to-day submitted to the D.A.A.G. Woolwich, sample of Pemmican which has been approved. On Monday we submit sample of Cocoa Paste, no expense and no effort shall be spared to give even more prompt deliveries than mentioned in the tender, all our first supplies of Cocoa Paste we are forwarding passenger train, we have received particulars as to cases and packing.

Yours faithfully,
(Signed) MACONOCHE BROS.

No. 4.

COPY OF TENDER FORM.

PRESERVED PROVISIONS.

To Her Majesty's Principal Secretary of State for the War Department.

SIR
or we. _____, the undersigned (hereinafter styled "the Contractor"), do hereby engage to provide and deliver the
I or we. quantity of Preserved Provisions described in the schedule hereunto annexed, to which _____ have affixed prices (or
I or we. such portion thereof as you may determine), at the price or prices therein stated, and upon the conditions herein set
forth; and _____ further undertake that this offer shall not be retracted or withdrawn for and during fourteen
days from the date at which it is to be delivered, but shall remain binding, and may be accepted at any time during
the said period of fourteen days.

Dated this 2nd day of December, 1899.

Witness _____ Signature of } (Signed) Maconochie Brothers,
Contractor }
Address _____ 131, Leadenhall Street, E.C.

Conditions of Contract for Preserved Provisions.

- Description and delivery.** 1. The Articles shall be of the Brands or description specified, and shall be delivered by the Contractor at his own expense, at the time or times specified in the Schedule, into the charge of the Officer at the Station named.
- Inspection.** 2. The Articles will be inspected as delivered, and should any tins be found to be blown or otherwise defective, they shall be rejected, and shall be replaced by the Contractor by others of proper quality, and should the proportion of unsatisfactory tins in any delivery amount to five per cent., the Secretary of State may reject the whole and cancel the Contract in respect of such delivery, and also of any quantity that may remain undelivered.
- Certificate for articles accepted.** 3. A Certificate shall be prepared within forty days after delivery, for such quantities as may have been accepted; but if the deliveries be divided into periodical proportions, a Certificate shall be prepared as aforesaid, for each proportion. Upon notification from the Receiving Officer that a Certificate has been prepared, the Contractor shall forward to that Officer his account or bill, in original and duplicate, and marked on the cover "Contractor's Account."
- Accounts.**
- Payment.** 4. Payment will be made direct to the Contractor, or to an agent or attorney, duly authorised to receive payment by the Contractor in writing or by a revocable power of attorney. The Secretary of State for War will not recognise any assignment other than is before mentioned, of moneys due or to become due under this Contract, and Section 25 (6) of the Judicature Act, 1873, shall not apply to this Contract nor to moneys due or to become due thereunder. No claim on the Contractor's part will be entertained unless preferred within one month after the last day of the month in which the supplies shall have been furnished.
- Penalty.** 5. Should the Articles, or any portion thereof, not be supplied within the period or periods stipulated for the delivery, the Contractor shall be liable to a fine of two and a-half per cent. on the value of the Articles deficient, which fine may be deducted from any sums due to him under this or any other Contract, or may be demanded of him to be paid within fourteen days to the Paymaster-General, to the credit of the War Office; and, in addition thereto, the Secretary of State may purchase the supplies from other persons, and charge the difference between the price paid for the same and the Contract prices, to the Contractor, which difference shall be deducted and paid in like manner as the fines hereinbefore mentioned; and, further, the Secretary of State may, if he think fit so to do, terminate the Contract at or after any one of the specified periods at which default shall have been made, either wholly or to the extent of such default.
- Bribery.** 6. Any bribe, commission, gift, loan, or advantage, given, promised, or offered by, or on behalf of, the Contractor, or his partner, agent, or servant, in relation to the obtaining, or to the execution of this, or any other Contract for Her Majesty's Service, or given, promised, or offered by, or on behalf of, the Contractor, or his partner, agent, or servant, to any officer or person in the service or employ of the Crown, who shall be in any way connected with the obtaining or the execution of this or any other Contract, subjects the Contractor to cancellation of this and all other Contracts, and also to payment, as a debt due to the Crown, of 10 per cent. on all sums which he has received, or would have become entitled to receive, under this Contract, and also to payment of any loss resulting from any such cancellation. Any question or dispute as to a breach of this Article, or the sums to be paid, is to be settled by the Secretary of State for War, in such manner, on such evidence or information, as he thinks fit, and his decision is to be final.

7. The Contractor warrants the Articles to keep sound and wholesome in any climate for a period of two years from date of delivery into store. This warranty, however, will not be enforced in trivial cases of small rejections.

8. This contract shall not be sub-let or transferred without the written permission of the Director of Army Contracts. The wages paid in the execution of this Contract shall be those generally accepted as current in the trade for competent workmen where the work is carried out.

9. No Member of the House of Commons shall be admitted to any part or share of this contract, or to any benefit to arise therefrom. (For exemptions see Statute 22, George III., cap. 45.)

Warranty.
Resolution of
the House of
Commons
dated 13th
February,
1891.
Members of
the House of
Commons.

Schedule.

53/Cape/5173.

300,000 tins Emergency Rations, each containing 5 ozs. Cocoa Paste
and 4 ozs. of Pemmican, in strict accordance with pattern empty tin } at 17s. per dozen tins.
submitted and approved by Colonel Boyd.

The sample to be submitted to the Deputy Assistant Adjutant General for Supply Inspection, Royal Dockyard, Woolwich.

The Rations to be packed in cases to be supplied by Contractor as per sample at Woolwich, and to be delivered to the Officer in Charge, Supply Reserve Depot, Royal Dockyard, Woolwich, at the rate of

30,000 tins in week ending 16th December, 1899.

50,000 tins in week ending 23rd December, 1899.

80,000 tins in week ending 30th December, 1899.

80,000 tins in week ending 7th January, 1900.

60,000 tins in week ending 14th January, 1900.

Sample of Pemmican submitted to and approved by the Deputy Assistant Adjutant General for Supply Inspection, on 2nd December, 1899.

No 5.

131, Leadenhall Street, London, E.C.
8 January 1900.

The Director of Army Contracts, War Office Pall Mall.

SIR,

We have the honour to send you by special messenger samples of Pemmican as supplied to Woolwich by us, also samples of Pemmican supplied us from your stock at Woolwich, and a sample of Pemmican which has evidently been made into Emergency Rations by some other firm, but not, we understand, from your stock. We may say that the Pemmican as supplied by us contains the highest form of compressed food, and with the special machinery and experience we have had in food productions we feel confident that we would be able to execute any orders of this article, no matter how large, with great promptitude, providing we could have a little notice to enable us to get the Pemmican prepared.

*We wish to confirm the writer's statement that the Government Emergency Ration of 5 ozs. of Cocoa Paste and 4 ozs. of Pemmican is the best Emergency Ration in existence, no other form being either so nutritious or sustaining.

We beg to remain, Sir,
Your obedient Servants,
(Signed) MACONOCHIE BROS.

No. 6.

MINUTES in 53-Cape-6225.

Samples received.

D.A.A.G. Supply Inspection.

The object of this (No. 5) letter is no doubt to get further orders.

I presume you are satisfied with the Emergency Ration put up by Maconochie. His Pemmican appears to differ somewhat from the Australian article in colour and taste, but he explains it by saying that he thinks ours contains more salt than his?

(Initd.) A. M.
11-1-1900.

Seen.

(Signed) W. A. DUNNE, A.Q.M.G.
12-1-00.

Q.M.G.3.

I am satisfied with the E. Ration supplied by Maconochie, except as regards the shape of the tin, which is bad, but the best he can do now. He says he is going to supply our shaped tins soon. His Pemmican is, I think, a fairly good imitation of the Australian article, but not so good.

(Signed) W. DUNNE, D.A.A.G.
for S. I.
13-1-00.

D. C.

Passed.

(Signed) W.A. DUNNE, A.Q.M.G.
16-1-00.

Seen.

(Initd.) A. M.
17-1.

(* (?) Mr. Maconochie's verbal statement).

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No. 7.

53/Cape/5288.

Maconochie Bros., Limited,
131, Leadenhall Street, London, E.C.
8 October 1901.

The Under-Secretary of State for War, War Office, Pall Mall, S.W.

DEAR SIR,

Emergency Rations.

In November, 1899, we were requested by the War Office to undertake the manufacture of Emergency Rations as they were urgently needed, and we laid aside for three months, nearly the whole of our regular business so that your requirements might be fulfilled. We went to great expense and worked night and day so that you might be supplied promptly. A great deal of the Pemmican used was supplied to us from Woolwich.

The Emergency Ration, as no doubt you are aware, is composed of one 4 oz. tin of Pemmican, and one 5 oz. tin of Cocoa Paste, made from Honey, Cocoa, and Sugar, each having an ordinary loose lid on, and the two tins were joined together, with a band and loop attached. We supplied very large quantities of this article for the War Office, and up to yesterday have not received a single complaint, but we now hear that some of these goods that have been lying in stock at Woolwich Dockyard at a store (which is not very far from the river) for the last eighteen months have been found to have got damp, in the case of the Pemmican and developed fungus. We very much regret this and it can only be accounted for in one of two ways, either the Pemmican we used for the latter portion of your order must have been slightly damp before being mixed, or the Pemmican in those Rations lying in the warehouse must have drawn unto itself damp, and thereby developed the defect. We may say that our experience of goods of this character have a tendency to draw damp.

We are quite prepared if you wish to lift these, to take them to our Scotch Factory, open every case and every tin, and where the Pemmican is defective to replace, and if you desire this we should be glad if you could see your way to give us free all the superfluous Pemmican you have at Woolwich. If, as we understand, this is a form of food, the use of which has been discontinued in South Africa, may we respectfully suggest, if you do not require these rations, that we should take the whole of the cocoa from them and pack in hermetically sealed 1 lb. tins. This we should be quite prepared to do free if you wished, and as cocoa is continually in use, there would be no loss under this head.

We await your further instructions in the matter, and have the honour to remain,

Yours faithfully,

MACONOCHE BROS., LTD.,

(Signed) A. W. MACONOCHE, Managing Director.

No. 8.

In any reply please quote, 53/Cape/5288. (D.C. 2.)

War Office, Pall Mall, S.W.
22 October 1901.

GENTLEMEN,

I am directed by the Secretary of State for War to acknowledge the receipt of your letter (No. 7) dated the 8th instant, relative to the Emergency Rations, supplied by you under contract, which have become unfit for consumption, and to acquaint you that as your contracts in question contained a two years' warranty your offer to remove the goods and re-deliver the cocoa in 1 lb. tins does not meet the case. It does not appear that any of the War Department Pemmican has gone bad, nor can it be admitted that the storage has caused deterioration.

In these circumstances the Department must ask you to refund the value of the goods, which can be removed by you after payment.

I am, Gentlemen,

Your obedient Servant,

W. P. PERRY,

Assistant Director of Army Contracts.

Messrs. Maconochie Bros., Ltd, 131, Leadenhall Street, E.C.

No. 9.

Maconochie Bros. Ltd.,
121, Leadenhall Street, London, E.C.
25 October 1901.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Reference.—53/Cape/5288. (D.C. 2.)

SIR

Emergency Rations.

We have the honour to acknowledge your esteemed favour of the 22nd October (No. 8), and will be glad if you will take into consideration the following facts :—

This article was in the nature of an experiment and had never been manufactured before on a large scale. You required a very large quantity quickly and no firm in the world at that time was in a position to supply you promptly with what you required, and we were pressed to do the work. We obtained large supplies of Pemmican from Woolwich, *in fact all you had or could obtain for us*, and owing to the urgency of the order we were forced to buy wherever we could from different parts of the world, and it is quite possible that some of the latest supplies we got might not have been dried sufficiently. It was not an article of our own, and you may perhaps remember we pointed out to you at the time personally that we were compelled to lay on one side a very large proportion of our private-business to enable us to execute your requirements, and no expense, time or trouble was spared. It is not an article we sell or have ever sold, and any enquiries we have had for the article have always been submitted to you. Owing to the urgency for the demand for this article we were led to believe that the goods would be used within a reasonable time, and we thought the question of guarantee would never arise. We mentioned at the time that we did not regard the system of packing as a satisfactory one, but carried it out as it had been done before by yourselves, and as you asked us to do it.

We would respectfully suggest that a fair course would be to permit us to take the goods to our Works, open every case and every tin and supply you with fresh articles in their place where necessary. The greatest of care would be taken and the whole would be of course subject to your usual inspection.

With regard to the removal of Government property we will give you our Banker's Guarantee.

We have, etc.,

(Signed) A. W. MACONOCHE,

No. 9A.

Pall Mall, S.W.,
4 November 1901.

Gentlemen,

I AM directed by the Secretary of State for War to request you to forward a copy of your (No. 9) letter of the 25th ultimo, relative to Emergency Rations.

I am, etc.,
(Signed) A. MAJOR,
Director of Army Contracts

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street, E.C.

No. 9B.

131, Leadenhall Street, London, E.C.,
5 November 1901.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Sir,

Emergency Rations.

IN reply to your esteemed (No. 9A) favour of the 4th instant, we beg to hand you attached hereto copy of our (No. 9) letter of the 25th ultimo upon the above subject.

We are, etc.,
(Signed) A. W. MACONOCHE.

No. 10.

TELEGRAM.

8 November 1901.

From Army Contracts, London.

To Maconochie, London.

Offer to make good defective Emergency Rations as contained in your (No. 9) letter of 25th October is accepted. Please proceed and report rate at which goods can be re-delivered.

No. 11.

War Office, Pall Mall, S.W.,
8 November 1901.

53/Cape/5577. D.C.2.

Gentlemen,

I AM directed by the Secretary of State for War to acknowledge receipt of your (No. 9B) letter dated the 5th instant, and to acquaint you, in confirmation of my telegram of even date, that your offer to make good defective Emergency Rations, as contained in your (No. 9) letter of the 25th October, is accepted.

You are requested to proceed, and to report the rate at which the goods can be re-delivered.

A banker's guarantee is to be furnished before removal of the goods.

I am, Gentlemen,
Your obedient Servant,
(Sd.) A. MAJOR,
Director of Army Contracts.

Messrs. Maconochie Brothers, Ltd., 131, Leadenhall Street, E.C.

No. 12.

TELEGRAM.

11 November 1901.

From Army Contracts, London.
To Maconochie, London.

Re my (No. 11) letter of the 8th instant, there are 362,552 of your Emergency Rations condemned in store at the Supply Reserve Depot, and 250,000 are being withdrawn from South Africa.

No. 13.

53/Cape/5577. D.C. 2.

War Office, Pall Mall, S.W.,
11 November 1901.

Gentlemen,

IN reference to War Office (No. 11) letter of the 8th instant, No. 53/Cape/5577, I am directed by the Secretary of State for War to acquaint you that there are 362,552 of your Emergency Rations condemned in store at the Supply Reserve Depot, Woolwich Dockyard, and that 250,000 are being withdrawn from South Africa.

This confirms my (No. 12) telegram of even date.

I am, etc.,
(Signed) A. MAJOR,
Director of Army Contracts.

Messrs. Maconochie Brothers, Ltd., 131, Leadenhall Street, E.C.

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No. 14.

MINUTES in 53/Cape/5696.

"Maconochie is re-making a quantity of Emergency Rations, which have not stood the two years' test, free of cost. Pemmican is being issued to him for the purpose from store. This Pemmican could be replaced by a fresh supply from Australia at 1s. 3d. per pound. I think that the issue might therefore be made at 1s. 3d. The firm undertook the manufacture of the rations in an emergency, and it was not anticipated that they would remain unconsumed for two years."

(Initd.) W. P. P.,
20 November 1901.

D.C. 2.

No financial objection.

(Signed) A. A. BECKETT.

"Inform Maconochie that the Pemmican issued from store will be charged 1s. 3d. per lb."

(Initd.) A. M.,
21 November 1901.

No. 15.

131, Leadenhall Street, London, E.C.,
25 March 1902.

The Deputy Assistant Adjutant-General for Supply Inspection,
Supply Reserve Depot, Woolwich Dockyard, S.E.

Sir

Emergency Rations.

We have the pleasure to advise you that our Mr. Mackie writes us that Dr. Littlejohn has made a further inspection, and expresses himself well pleased with the arrangements that have been made in accordance with his suggestions upon his first visit.

We have the honour to be, Sir,
Yours faithfully,
MACONOCHIE BROS., LTD.
(Signed) E. L. HARVEY, Secretary.

No. 16.

53/Cape/6873. (D.C. 2.)

14 April 1902.

Gentlemen,

IN reference to your letter* of the 3rd instant to the Deputy Assistant Adjutant General for Supply Inspection, I am directed by the Secretary of State for War to acquaint you that the 21,761 lbs. of Pemmican, requisite for the re-making of the balance of 154,720 Emergency Rations, will be issued to you from the Supply Reserve Depot, but as part of the Pemmican will be obtained from Australia, the return of the last 90,000 or so of the rations will be delayed for four or five months.

I am etc.,
(Signed) W. P. PERRY,
Assistant Director of Army Contracts.

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street, E.C.

No. 17.

131, Leadenhall Street, London, E.C.,
18 April 1902.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Sir,

We have the pleasure to acknowledge the receipt of your esteemed (No. 16) favour 53/Cape/6873, D.C. 2, for which we beg to thank you, and we duly note that it will be some four or five months before we receive the Pemmican to complete the Emergency Rations which we have collected for re-filling.

We have, etc.,
(Signed) MACONOCHIE BROS., LTD.

No. 18.

53/Cape/6412. D.C. 2.

21 May 1902.

Gentlemen,

I AM directed by the Secretary of State for War to acquaint you that in addition to the 497,125 Emergency Rations which have been handed over to you at Woolwich, it is reported that a total of 888,428 rations supplied by you have been condemned as unfit for issue, and accordingly destroyed, in South Africa.

* Asking whether further quantities of Pemmican could be supplied from Woolwich.

I am to enquire whether you are prepared to replace the additional quantity, viz : 773,021 rations arrived at as follows :—

| | |
|--|-----------|
| | Rations. |
| Condemned in South Africa | 888,423 |
| Handed over to you | 497,125 |
| | 1,385,553 |
| Less quantity notified to you in War Office (No. 13) letter of the 11th November, No. 53/Cape/5577... .. | 612,532* |
| | 773,021 |

I am, etc.,
(Signed) A. MAJOR,
Director of Army Contracts.

Messrs. Maconochie Brothers, Ltd., 131, Leadenhall Street, E.C.

No. 19.

Maconochie Bros., Limited,
131, Leadenhall Street, London, E.C.,
26 May 1902.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Sir,

Emergency Rations.—53/Cape/6412. (D.C. 2.)

Your letter (No. 18) of the 21st May is a great surprise to us. We quite understood that the 497,200 was the final quantity that you expected us to deal with. You may remember that even this quantity we regarded as a great hardship, having always contended that we never guaranteed any of those Emergency Rations, but we sank our objections as regards the above quantity.

We would specially point out to you that it is nearly 2½ years since the first of these Rations were delivered to you.

Might we again call to your recollection what occurred. A large and urgent demand was made upon you for your special Emergency Rations, which your Department that had the manufacturing of these could not cope with, and we were asked what we could do to assist you in the matter, and we promised to lay on one side all our business in Scotland and place our factory there at your disposal, providing you would pay any extra expense incurred for machinery, material and manufactured goods going and coming. It was at a time of great stress and anxiety for all concerned as the numerous telegrams and urgent letters from you will confirm.

You, like ourselves, understood that these rations were intended for immediate consumption, or at any rate consumption within the course of a few months, and never at any time did you either verbally or in writing ask (and we should have been surprised if you expected) a guarantee for this special article of your own, and when we signed the ordinary printed form it was done inadvertently by us as we have previously pointed out to you on several former occasions. We have never understood or been informed that any guarantee was expected from us, and it was well understood that these goods were only being manufactured for and on your account, and you probably remember that we pointed out to you at the time that this form of ration could not be expected to keep very long in tropical climates, and we cannot see how you can possibly expect us (even had the time limit not expired) to replace them.

When we commenced manufacturing no price was fixed, and all the prices were from time to time fixed by yourselves on calculations made as to the probable cost of manufacture, and we were only asked to sign the forms simply and solely as a record of the price fixed and for reference to keep in your office.

A considerable proportion of the Pemman in the Emergency Rations was what we had supplied to us by you, and that in many cases equally with our own was found defective.

We would submit that we are not to blame in the matter, and that to attempt to enforce upon us a liability which we totally disclaim ever knowingly entering into, would be such a hardship that we hardly think you would (judging from the great experience we have had in dealing with your Department) place upon us. Our losses already have been very heavy in the matter (the taking of the 497,200 has entailed a loss to us of over £20,000), and with all due respect we think we should not be called upon to sustain further loss, and we trust you will hold us blameless in this matter.

We have the honour to be,

Sir,

Yours faithfully,

MACONOCHE BROS., LIMITED,

(Signed) A. W. MACONOCHE, Managing Director.

No. 20.

PRECIS of Director of Army Contracts in 53/Cape/6412 (Initialed by Mr. PERRY).

Emergency Rations.

In normal time the Emergency Ration, which consists of Cocoa Paste, 5 ozs., and Australian Pemman, 4 ozs., is manufactured at Woolwich.

The Department, however, being unable to cope with the large and urgent demand which arose on the outbreak of War in South Africa, obtained the assistance of Messrs. Maconochie Bros. who placed their factory in Scotland at our disposal.

Six contracts for a total of 1,790,000 rations have been placed with this firm, the first dating 4 12/99 and the last 22/4/00. The conditions of contract confirming the orders which were given, contained the Warranty clause guaranteeing the articles to keep sound and wholesome in any climate for a period of two years from date of delivery into store.

The 1,790,000 rations were distributed as follows :—

| |
|-----------------------------------|
| 362 552 kept in store S.R. Depot. |
| 1,292,588 shipped to S. Africa. |
| 134,860 issued to Home Stations |
| 1,790,000 |

* This should have been given as 612,552.

In October, 1901, some of Maconochie's rations, prepared in 1900 and lying in store at Woolwich, were examined and found to have deteriorated and become unfit for issue. A cable was therefore dispatched to South Africa stating that all rations of this brand in possession of the troops should be examined and, if found bad, withdrawn.

On 1st November, 1901, it was reported from South Africa that 250,000 rations had been withdrawn, and Messrs. Maconochie were informed that 612,552 of their rations had been rejected: 250,000 from South Africa, 362,552 from store at Woolwich. Messrs. Maconochie offered to take the rejected goods to their works, open every tin and supply the Department with fresh articles. This offer was accepted, and the firm instructed to proceed re-making at once.

In January of this year, G.O.C. in South Africa requested permission to destroy all rations actually found unfit. This was given, and G.O.C. requested to report full particulars of quantities destroyed.

Two letters have been received from South Africa reporting rejection and destruction of more Maconochie rations.

| | | |
|---------------------------|----------------|----------|
| Letter of 19-3-02 reports | 688,702 | Rations. |
| " 4-4-02 " " | 199,726 | " |
| | <u>888,428</u> | Total. |

Messrs. Maconochie were accordingly asked on (No. 18) 21st May, 1902, whether they were prepared to replace the additional quantity, viz., 773,021 (some rejections having been notified to them previously).

The Contractors, however (see No. 19), state that their loss in the replacement of the first quantity rejected has already amounted to £20,000, that they attached no importance to the guarantee clause, being under the impression that the rations would be consumed at once, or, at any rate, in the course of a few months, and that a considerable quantity of Pemman for the rations was supplied to them by the Department, and in many cases was found equally defective to their own.

Owing to the altered state of affairs in South Africa, the Department requires no more rations in replacement.

The Department's claim on Maconochie is doubtful, because, although it was perceived on 7th October, 1901, that many rations had deteriorated in store at the S.R.D., the last rejections from South Africa were reported in March and April of this year. The date of the condemnation in South Africa cannot be given, and it is quite possible that the guarantee period had expired when the rations were condemned.

Their contention is also correct that they came forward to assist the Department at the latter's invitation, and that the form of tender guaranteeing the goods was used only as a means of confirming the arrangement.

(Initd.) W. P.

3-7-02.

No. 21.

MINUTES of Director of Army Contracts and of Financial Secretary. (Dated 20. 10. '02. 53/Cape/6412.)

Fin. Sec.

AFTER discussing this question with you, I should like to point out that the contractors had no possible means of knowing how long either the Woolwich or any other pemman would keep good under such conditions as obtained in South Africa.

The order was most urgent and the Woolwich pemman was accepted without question in order that there might not be a day's delay in commencing delivery.

The order was given verbally, and for an unknown food of this character we doubt whether we were fully justified in subsequently asking the contractors to tender for the supply on the ordinary provision form, which contained the warranty clause.

It is quite certain that if any objection had been raised at the time, it would not have been insisted upon.

It must moreover be borne in mind that the number which they have already replaced at a loss to them of about £20,000 represents the numbers which failed without doubt within the period of guarantee, but towards the end of that period: the further condemnations reported in March and April, 1902, are open to doubt, which I certainly submit should be given in the Contractor's favour.

(Initd.) A. M.

20-10-02

"Very well—under the circumstances I will agree to Messrs. Maconochie's having the benefit of the doubt.

(Signed) STANLEY,

20-10-02.

"Tell Maconochies that they will not be asked to replace any further quantity."

(Initd.) A. M.

No. 22.

53/Cape/6412. D.C. 2.

24 October 1902.

Gentlemen,

In reference to War Office (No. 18) letter of the 21st May, No. 53/Cape/6412, and to your (No. 19) letter of the 26th idem, I am directed by the Secretary of State for War to acquaint you that you will not be asked to replace the further quantity of the Emergency Rations therein referred to.

I am, etc.,
(Signed) A. MAJOR,

Director of Army Contracts.

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street, E.C.

No. 23.

Maconochie Bros., Ltd., London

29 October 1902.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Sir,

53/Cape/6412. D.C. 2.

We have the honour to acknowledge the receipt of your esteemed (No. 22) favour reference number as above referring to your (No. 18) letter of the 21st May, No. 53/Cape/6412 and our (No. 19) letter of the 26th idem which we beg to thank you.

We have the honour to be, Sir,

Yours faithfully,

(Signed) EDWARD HARVEY

No. 24.

Maconochie Bros., Limited, London, E.C.

14 November 1902

The Director of Army Contracts, War Office, Pall Mall, S.W.

Sir,

Emergency Rations.

REFERRING to the balance of these sent to us to overhaul, it was pointed out some time ago that most of this Pemman is yours, and we would suggest, now the War is finished, it does not seem possible that these are likely to be used, might we, therefore, respectfully suggest for your consideration that we pay you the sum of £500 (Five hundred pounds) instead of overhauling the balance of 1,900 cases that we have. It will be a benefit to us, and might, we suggest, perhaps be a saving to the Department.

When you have considered this kindly let us hear from you, and we await your instructions.

We are, Sir,

Yours faithfully,

(Signed) A. W. MAONOCHIE.

No. 25.

53/Cape/6412. D.C. 2.

17 December 1902.

Gentlemen,

In reference to your (No. 24) letter of the 14th ultimo on the subject of the replacement of emergency rations, I am directed by the Secretary of State for War to enquire what terms you would offer if the Department required only a further 24,000 rations to be re-delivered.

I am to add that £500 is considered insufficient.

I am, Gentlemen,

Your obedient servant,

(Signed) A. MAJOR,

Director of Army Contracts.

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street, E.C.

No. 26.

Maconochie Bros., Ltd., London,

19 December 1902.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Sir,

53/Cape/6412. D.C. 2.

WE have to acknowledge your esteemed (No. 25) favour of the 17th instant, and regret you do not see your way to accept our offer.

Nearly three years have elapsed since these rations were made, and it appears particularly hard upon us that we should be called upon to replace any further of these goods.

We are most anxious to get this settled, and we would suggest, to finally settle the matter, that we deliver a further 24,000 Rations in full satisfaction, and trust you may see your way to accept our offer.

We are, Sir,

Yours faithfully,

(Signed) A. W. MAONOCHIE.

No. 27.

53/Cape/6412. D.C. 2.

5 January 1903.

Gentlemen,

In reference to your (No. 26) letter of the 19th ultimo on the subject of the replacement of Emergency Rations, I am directed by the Secretary of State for War to acquaint you that the proposal made therein cannot be agreed to.

I am, Gentlemen,

Your obedient Servant,

(Signed) A. MAJOR,

Director of Army Contracts.

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street, E.C.

No. 28.

Maconochie Bros., Ltd., London,

13 January 1903.

The Director of Army Contracts, War Office, Pall Mall, S.W.,

Dear Sir,

53/Cape/6412. D. C. 2.

WITH reference to your esteemed (No. 27) favour of the 5th January, we would have been able to overhaul all these rations during April if sufficient supplies of Pemman had been forthcoming, but unfortunately you had no more in stock, and the delay in supplying means a considerable extra expense to us by depreciation during the past eight months. If you will kindly refer, you will find we raised the point with you at the time, and you will note in your (No. 16) reply to us of the 14th April, reference number 53/Cape/687 that you expected yourself it would be four or five months before new supplies came forward.

With a view to getting the matter definitely settled, and we trust to your satisfaction, we offer to supply the 24,000 tins, and make a money payment of £500. We trust this will meet with your approval and we now await your reply.

We are, etc.,

(Signed) A. W. MAONOCHIE.

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No. 29.

18 March 1903.

53/Cape/6112. D.C. 2.

Gentlemen,

In reference to Mr. Maconochie's visit, I am directed by the Secretary of State for War to inquire to what extent you consider that your loss in connection with the supply of Emergency Rations to this Department balances the profit, and whether you can furnish any figures. I am also to inquire whether you would be prepared to allow your books to be examined on behalf of this Department.

I am, Gentlemen,
Your obedient Servant,
(Signed) A. MAJOR,
Director of Army Contracts.

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street, E.C.

No. 30.

H/M.

Maconochie Bros., Ltd., London,
25 March 1903.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Sir,

Emergency Rations—53/Cape/6112. (D.C. 2.)

We have the honour to acknowledge your favour (No. 29) of the 18th, but it would be impossible to give you the information you require, as we had so many urgent contracts at the time, and there is nothing so far as our books are concerned which would assist you in the matter.

The basis we calculated this order upon was from 12½ per cent. to 15 per cent. and we would point out to you that we have already more than refunded all profit by the loss we were put to by replacing goods which :

(a) We contend were never guaranteed, as the Contract Form signed by us a considerable time after the receipt of the original order was simply for reference by the Department.

(b) It is now over three years since these goods were supplied, and the so-called guarantee was only for two.

(c) Some of the material used was supplied by yourselves and that also deteriorated after a lengthened period.

(d) Surely your Department do not expect Contractors to manufacture goods for you at no profit, or even at a loss.

Some guide to the profit made by this Firm can be arrived at if you compare the prices at which we supplied our Army Rations with prices paid to other Firms. Perhaps you may remember when it was of great urgency that you should be supplied promptly with food for the Army, we were the only Firm that made great sacrifices by placing on one side nearly the whole of our own private business for several months, so that we might fill your requirements. No other Firm would do so at the time, and our action so far as our own private business was concerned resulted in a very heavy loss which we have never yet recovered, but had we not done this we could not have met your urgent requirements.

If you will kindly compare the prices paid to us for our goods and those paid to other Firms, your Department will find that they made a saving in the business they did with us in their Contracts over what they could have done with other Firms of not less than £100,000. This should go to prove our contention of what a small percentage of profit we worked at, and never in one single instance, however much stress or urgency there was for the supply of goods, did we ever attempt to raise the price in any shape or form more than would give us only a fair percentage of profit. Moreover, so that the soldier might get the full Ration we made a point in the goods supplied to you of giving an average weight of five per cent. over and above the contracted amount, so that the troops should have even more than they were entitled to, and further, owing to the rise in the price of raw material some of the last Contracts we made with your Department were an absolute loss to us of many thousands of pounds.

Never before in the history of this Firm have we ever worked at such a low percentage as we worked for you and we are confident no Firm in this country in this class of business could have done the amount of work in the time or at the price as contracted by us with you. You relied upon us, and we have had assurance from your Department of your satisfaction at the promptitude, attention, and satisfaction we have given.

We must again emphasize the fact the business we laid aside to meet your requirements was a serious blow to our legitimate trade which we have not yet recovered, and we trust on consideration of what we have done for your department, you will reimburse us the expense we have been put to by replacing the Emergency Rations that we never knowingly guaranteed, and which guarantee has long expired.

We have the honour to be,

Sir,

Yours faithfully,

MACONOCHE BROS., LTD.

(Signed) EDWARD HARVEY, Secretary.

No. 31.

14 July 1903.

40116/7676. D.C. 2.

Gentlemen,

I am directed by the Secretary of State for War to acquaint you that a recent partial examination of the Emergency Rations supplied by you in replacement of those previously condemned goes to show that many of them are unfit for issue.

A further examination will be made, and Mr. Brodrick will be glad to be informed whether you wish to be represented at such further examination.

I am, Gentlemen,
Your obedient Servant,
(Signed) W. P. PERRY,
Assistant Director of Army Contracts.

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street E.C.

No. 32.

Maconochie Bros., Limited,
131, Leadenhall Street, London, E.C.
16 July 1903.

The Director of Army Contracts, War Office, Pall Mall, S.W.

Reference 40116/7076. (D C. 2.)

Sir,

We have received your esteemed favour (No. 31) of the 14th with considerable surprise. Might we again be allowed to point out the real facts in this matter.

In the first place we wish to record the exact conditions and circumstances surrounding the orders for Emergency Rations. You will no doubt be able to refer to the cable that you received from Lord Roberts asking for a supply of 300,000 tins of Emergency Rations, and the matter being very urgent you were most anxious to be able to comply with this request.

At that time these rations were manufactured by your workpeople at Woolwich, and the total amount they could manufacture in one week only amounted to 2,900 tins.

Just at this time the writer was calling at the War Office on business, and he was asked by Mr. Major if we could manufacture these articles, and we replied we never had made them, but if they would supply the Pemnican as far as they were able, we would enquire what machinery we had, and arrange for the purchase of Pemnican they could not supply, and would make these goods for your Department. This was on Saturday, November 25th, 1899. On Monday the writer returned to the Director of Army Contracts and explained what we could do, and we think if you refer to (No. 1) letter of November 28th, we confirmed the conversation we had at the time. It was then arranged by Mr. Major and the writer that we were to go on and manufacture these articles for you.

That no price was to be fixed at present.

That as we understood it we simply manufactured for you and on your account.

Subsequently, when the price was fixed we were asked to sign the usual contract form and we demurred stating it was purely an article of your own, and one that we could not take any responsibility for over a lengthened period. We were then informed that the signing of the form was necessary for Office reference and we clearly understood that we had not, nor had we on any occasion, entered into any Contract guaranteeing an article which is entirely your own, to keep for any period, and in every case where you were able to supply we invariably took our supplies of raw material of Pemnican from Woolwich, and we therefore disclaim any responsibility.

With regard to those that were found defective (250,000 tins of which had been kept in South Africa), they were repaired, examined and replaced, under the supervision of one of the most able medical men in Scotland, Dr. Littlejohn, who arranged how the work should be done on his first visit, and we did not purchase nor did we manufacture any Pemnican, but in putting these right (acting under the advice of Colonel Dunn), we purchased from you *all the Pemnican necessary to replace those tins that were found defective at the time*, and we went even further than that, we were most careful to retain only those tins that you had supplied the Pemnican to fill when they were originally filled.

It may be that climatic conditions were against them, but surely you will not attempt to hold us responsible for material supplied by you.

We have explained verbally, and in writing, that we were only using your Pemnican, and further in a (No. 15) letter to the Deputy Assistant Adjutant General, Woolwich Dockyard, dated 25th March, 1902, we wrote giving you an extract from our manager at Fraserburgh when Dr. Littlejohn had made his second visit of inspection and expressed himself highly pleased with the arrangements that had been made, in accordance with his suggestions upon the occasion of his first visit.

We have the honour to be,

Sir,
Yours faithfully,

MACONOCHE BROS., LTD.,
(Signed) A. W. MACONOCHE, Managing Director.

No. 33.

MINUTE of 16 August 1903, from the Director of Army Contracts, Sir Alfred Major, to the Treasury Solicitor.

53/Cape/8688.

Treasury Solicitor.

These papers are passed to you accordingly, for the opinion of the Law Officers

The case is stated in (see No. 20) 53/Cape/6412 and this paper, but it may be desirable to go through the chief points again.

The present Emergency Ration consists of two tins, fastened together by a band—one tin contains 5 oz. of Cocoa Paste, the other 4 oz. of Pemnican.

In the ordinary course the Paste and Pemnican are delivered under contract to Woolwich, the Pemnican being obtained under special arrangements from Australia, and the Emergency Rations are put together at the Woolwich Depot.

Owing, however, to the large and urgent demands from South Africa, at the beginning of the war, the Depot was unable to meet the requirements. At this crisis Messrs. Maconochie came forward and offered to do what they could in assisting the Department to put the rations together—subsequently, when it was found that the stock of Australian Pemnican at the Depot was utterly insufficient to meet the increasing demands, they agreed to get the best Pemnican they could, and make up the complete ration for us. The rations were inspected by officers of the Quartermaster-General's Staff in process of manufacture and accepted as satisfactory. Instructions were given to them to proceed as fast as possible, and these instructions were subsequently covered by formal contracts. A copy of the (see No. 4) form of tender used is enclosed, and it will be seen that this contains a clause (Clause 7) under which the goods are guaranteed to keep good for two years after delivery.

Messrs. Maconochie have repeatedly maintained that they regarded the formal contracts as merely a necessary cover to an arrangement under which they were Agents and Auxiliaries to the Department rather than ordinary Contractors, and that the clause in question consequently escaped their notice. They, moreover, assert that had they observed it they would have refused to abide by it, in which case the War Department would have cancelled it. It must be admitted that had any such objections been raised, the Department would have had no option but to cancel the clause, as (apart from the fact that neither the firm nor ourselves had any means of saying whether two years was a reasonable time to expect the rations to keep) it was essential that we should obtain Maconochie's help.

If the case went into court the Director of Army Contracts would have to admit practically the whole of this contention.

The total number of rations ordered was 1,790,000, of which 98,794 contained Woolwich Pemnican. Of this total quantity, 1,292,588 went to South Africa, and 497,412 were retained in this country. It is not known which of these contained the Woolwich Pemnican.

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In October, 1901, it was found that some of the rations at Woolwich had become unfit for issue, and in consequence instructions were sent to South Africa to examine the stock there.

As a result of the correspondence Messrs. Maconochie were informed that 612,552 rations had been condemned and must be replaced. In the end, they agreed to remove rejections up to this quantity to their works, and to replace any that should be found bad.

Subsequently it was found that the total number condemned amounted to—

| | | | | | | | | | | | |
|-----------------|---|---|---|---|---|---|---|---|---|---|------------------|
| In South Africa | - | - | - | - | - | - | - | - | - | - | 888,428 |
| At Home | - | - | - | - | - | - | - | - | - | - | 497,125 |
| | | | | | | | | | | | <u>1,385,553</u> |

but as the Military Authorities in South Africa were unable to inform us how many of the rations condemned there fell within the two years' warranty, it was decided to tell Maconochie that they would not be asked to deal with more than the 612,552.

As a matter of fact the only rations which could be delivered to them were the 497,125 rejected at home, and by November, 1902, the firm had replaced 365,600 of these. Since then, pending discussion, no more have been replaced.

A careful examination of the information obtained from the Cape shows that although the presumption is that the majority of the rations sent there would not have stood the two years' guarantee, the only quantity we can absolutely assert to have gone bad within that period is 41,868.

Adding these to the rations condemned at home, it would appear that the total quantity which could be regarded with certainty as falling within the conditions of the clause is:—

| | | | | | | | | | | |
|--------------|---|---|---|---|---|---|---|---|---|----------------|
| Home | - | - | - | - | - | - | - | - | - | 497,125 |
| South Africa | - | - | - | - | - | - | - | - | - | 41,868 |
| | | | | | | | | | | <u>538,993</u> |

But, although the chances are obviously against it, it is conceivable that these include the whole of the 98,794 rations made from Woolwich Pemman. On another paper you have advised us that it would be better not to claim anything against rations made from such issues.

On this basis, therefore, the total quantity of rations on which the Department would be in a position to claim would be:—(538,993 - 98,794 =) 440,199.

If this is agreed to, only 74,599 rations (viz., this total of 440,199 less the 365,600 already replaced) remain in question.

Messrs. Maconochie have stated their willingness to replace 24,000 of these, and to pay a sum of £500 in lieu of the balance.

It should be observed that the description of Emergency Rations to be adopted in future is under consideration, and that the Department does not now require more of the present pattern beyond the 24,000 which Messrs. Maconochie at one time agreed to replace.

The questions which appear to require answering are:—

- (1) Do the Law Officers advise taking the case into court with a view to recovering the whole value of rations condemned?
- (2) If not, do they advise the case being taken into court for recovery up to a total of 612,552?
- (3) Do they advise that the Department should limit its claim to 440,199? and
- (4) If so, do they consider that the terms offered by Maconochie would form a satisfactory settlement?

(Initd.) A. M.
16.8.1903.

NOTE.—The figures given above were subsequently amended on receipt of further information from South Africa and elsewhere. The correct figures will be found in the statement prepared for the Law Officers of the Crown

No. 34.

53/Cape/8835. D.C. 2.

6 September 1904.

Gentlemen,

I AM commanded by the Army Council to acquaint you that they have had under consideration the whole history of the circumstances under which Emergency Rations were supplied by you during the late war in South Africa.

The facts, in brief, are as follows:—Out of the total number of rations supplied, viz:—1,790,000, 1,292,688 were sent to South Africa and 497,412 retained in this country. On the discovery of the serious deterioration of these rations towards the end of 1901, your offer of (No. 9) 25th October, 1901, to replace such as were found unfit, was accepted, and you were informed by (No. 13) letter of 11th November 1901, that 612,552 rations (362,552 from Woolwich and 250,000 in South Africa) would have to be replaced.

The number returned to you amounted to 497,125, and of these you replaced 365,600, leaving 131,525 still due.

Further condemnation took place in South Africa, making an excess of 773,021 rations condemned above the number of 612,552 already notified to you; but as the Department had no knowledge at the time as to the expiration or otherwise of the warranty period in connection with this further number of 773,021, you were informed that you would not be called upon to replace this number.

During the past year further investigations have been made, and it has been ascertained that the total number of rations destroyed as unfit amounts to no less than 945,137. The reports of condemnation have further brought to light that of the rations destroyed in South Africa at least 412,725 were condemned within the Warranty period.

Reverting now to your agreement in November, 1901, to replace the rations found unfit at that time, the number then notified to you was 612,550. Of these 497,125 were actually returned to you to be overhauled, and, so far, you have replaced 365,600. Of the rations so replaced the greater portion had subsequently to be condemned within the period of warranty; but, for many of these, Pemman supplied by the War Department was used, and it is impossible to distinguish these from such as were made of Pemman supplied by you.

The balance of the 497,125, viz., 131,525, formed the subject of negotiations with you during December 1902, and January 1903, culminating in your offer of (No. 28) 13th January 1903, to supply 24,000 rations and pay to the War Department £500, instead of overhauling the rations in question.

Since that offer, with regard to the 131,525 rations mentioned, was made, it has been necessary to go into the whole question of the supply of the Emergency Rations, and the subsequent condemnations, with a view to treating the question in all its issues as a whole, and attempting thus to arrive at a satisfactory final settlement. Your offer cannot be regarded in this light, and, in the opinion of the Army Council, is quite inadequate; I have therefore to request you to state what offer you are now prepared to make, with a view to enabling the War Department to close the case in regard to its claims upon you in connection with the Emergency Rations supplied by you during the period of the South African War.

I am, etc.,
(Signed) R. H. BRADY.

Messrs. Maconochie Bros., Ltd., 131, Leadenhall Street, London, E.C.

No. 35.

Maconochie Bros., Ltd.,
131, Leadenhall Street, London, E.C.4.
10 September 1904.

The Secretary, War Office, London, S.W.

Sir,

53/Cape/8835. (D.C. 2.)

We regret to receive your esteemed (No. 34) favour of the 6th September, and we have to state most emphatically that no guarantee was given by us or expected, and the following account relating to the history of the matter will we trust place the whole occurrence in its true light, and had it not been for circumstances which can be easily explained, no offer at any time would have been made by us either to replace (as was done in some cases), or an offer of a monetary payment to clear the matter up.

The story is as follows:—

Nearly five years ago, about 12 o'clock on Saturday, November 25th, 1899, the writer called on the Director of Army Contracts regarding some business, and while this was being discussed he was asked the question "whether we could make Emergency Rations." We said we had never made any, but would like to know why the question was asked, and Mr. Major then stated he had received a cable for the supply of 300,000 Emergency Rations which they always made themselves, but they could only make 3,000 per week.

The writer informed him that he would go to the office, telephone the works, consult the respective Managers, and see if it was possible to help them.

At 2 o'clock he returned, and made the following statement:—

If they would use a round tin and supply the Pemman or all they could, until we could get supplies from abroad, we would make for them and do our best, and would show them the round tin which could be manufactured much more quickly than the oval one they were using. This was done on the Monday morning, approved of by them, and we were instructed to proceed with the manufacture, no price being mentioned, nothing done except to proceed. It was then pointed out as they could only be done at our Scotch Factory.

1. To expedite the manufacture and delivery, everything would go to Scotland, and come back passenger train, and this extra expense Mr. Major stated would be taken into consideration when they were fixing the price for us.

2. We were then given an order for Pemman on Woolwich, and instructed to proceed with the manufacture of the 300,000 tins, and everything was done and manufacturing commenced before anything was said about the price. Some days after, the writer met Mr. Major and he went into the cost of production, and the price was fixed.

After this the ordinary Contract form with the guarantee was sent to us which the writer took to the War Office in company with Mr. E. M. Harvey, Secretary to this Company, and explained to Mr. Major that we never agreed or would we agree to guarantee an article of this kind, and he said:—

"Very well! you give no guarantee for Emergency Rations, but you sign the usual form for Office reference."

This was understood all through, as we were simply acting in the question of Emergency Rations from beginning to end practically as your Agents.

Upon this clear understanding that we did not guarantee these goods, we proceeded with the manufacture, acting in all cases according to your instructions and advice, and then from time to time as the rations came up by mail train they were transferred to the different mail boats, and upon one occasion when the Castle line boat could not take them in we received a letter from your Department instructing us to go to the Castle people and point out they must find room, and we were told passengers were turned out, and they were packed in the cabins of the steamer. We would like to point out that so expeditiously did we execute all your requirements for this article that we delivered in a few months what would have taken many years to have executed in the ordinary way.

Then nearly two years passed (and a much larger supply having been purchased than required), in turning over the stocks we understand some were defective, and as our company at that time was executing considerable contracts, we were most anxious to meet you, and for other reasons which we shall be glad to explain, we agreed without prejudice to replace those tins which were defective providing you would supply the Pemman required to fill them, and all the old tins we had filled were emptied out. One of the most able men, Dr. Littlejohn, of Edinburgh, was engaged by your Department for the supervision of this, and he went to very great trouble in having the work rooms arranged exactly as he wished, as he seemed to think it was a most difficult thing to preserve a raw article of food for an extended period, and in not one single instance did we replace any of the old stock with Pemman of our own, and in every instance every tin of Pemman that we had manufactured ourselves was destroyed so that only Pemman supplied by you was used, so that, if any defect eventually appeared there would be only one article to blame, and we did not think for one moment you would hold us responsible, and the whole of the replacement contained absolutely only Pemman that had been and was at that period supplied by you.

We have done everything we could to meet you, although not in any way liable, and the losses entailed by the replacement which we did, were far in excess of any profit we obtained out of the business, and we need not say that the damage we have suffered from the statements that have been made regarding these matters have been so serious that they have damaged us to a very considerable extent. In the South African market alone our trade has fallen to one fifth of what it was formerly.

When a company like ours has rendered what your Department was kind enough to say on several occasions "such splendid service" at a time when you were not in a position to obtain your requirements promptly, and did so at prices which on comparison with other houses meant a saving of not less than £100,000 to your Department over the period which they extended, what we ask is that you will allow us to see those gentlemen who have the settlement of this matter, as we are confident we can satisfy them that every statement is correct, and put an entirely different complexion upon the transaction to what apparently must be in their minds.

We have the honour to be,

Sir,

Yours faithfully,

MACNOCHIE BROS., Limited,

(Signed) A. W. MACNOCHIE, Managing Director.

No. 36.

53/Cape/9062. D.C. 2.

29 September 1904.

Gentlemen,

I am commanded by the Army Council to acknowledge the receipt of your (No. 35) letter of the 10th instant relating to your contracts for Emergency Rations, and to inform you that it has received consideration.

As stated in my (No. 34) letter of the 6th instant, all the circumstances attending the making of the contracts and their subsequent history have been most fully investigated, and it is therefore felt that nothing would be gained by a personal conference.

Yours,

The Army Council is now of opinion that the most satisfactory solution of the difficulty will be to refer the whole case to the arbitration of a third person to be agreed upon mutually, and I am therefore to enquire whether you agree to this proposal.

I am, Gentlemen,
Your obedient Servant,
(Signed) E. W. D. WARD.

Messrs. Maconochie Brothers, Ltd., 131, Leadenhall Street, E.C.

No. 37.

131, Leadenhall Street, London, E.C.
6 October 1904.

Sir E. W. D. Ward, K.C.B., War Office, London, S.W.

Sir,

53/Cape/9062. (D.C. 2.)

We have to acknowledge your favour (No. 36) of the 29th ultimo, and much regret that we may not be allowed explain the case to the Army Council. We again repeat we are prepared to prove that so far as the Emergency Rations were concerned it was never understood by us that we were to give any guarantee, and we also repeat that on the first transaction the form was tendered to us to sign we declined to sign it, and only signed it on the statement by Mr. Major that as regards Emergency Rations it was only intended for Office reference and as each one followed on, each was signed on this original principle.

Our only error, if error it be, when dealing with honourable men, was not crossing out the guarantee clause which we could have done, but knowing it was only for reference did not do so.

Moreover the writer specially mentioned to Mr. Major that we had no experience in this article, and we did not believe it could keep for two years, and that was another reason why we could not think of entering into any guarantee of an article that we had no personal experience in, and we would wish to point out:—

1. If further proof was wanted that this did not come under the ordinary contract business, in no single instance was the price of the article fixed by us, but in every case fixed by your Department.
2. That the Rations replaced by us were specially supervised by your own scientific expert.
3. That they were thoroughly tested upon their arrival at Woolwich.
4. The small balance that was left unfinished at Fraserburgh was entirely owing to the fact that you had no further Pemican in stock to supply.

But even should you hold that we entered into a contract surely that Contract terminated in two years. It could not be expected to go on ad infinitum. When to save the reputation of our firm we agreed to replace these Rations, and in so doing to use only Pemican from your Stores at Woolwich, for which we paid you, it could never be contemplated even by yourselves that there was any guarantee. If so, you were practically demanding from us a four years' guarantee, and for goods you supplied.

The cost of this replacement to this Company was many thousands of pounds.

May we respectfully point out that these goods that were supplied at the end of 1899 and the early part of 1900 served their purpose, and no loss has been incurred by your Department by any of them being proved defective after a period of nearly two years, and although some were defective many of them lasted considerably more than two years.

The services we rendered in the time of stress and trial should be of some value in coming to a settlement of this matter, and no one we think is so able to settle as your Council, and we must say so far as we are concerned that we are absolutely helpless in the matter, we having already suffered severely by statements made in another place, our position is now one that practically the whole of our business is jeopardised as during the last nine months we have had to discharge over 600 workpeople. If we defend ourselves the injury to the reputation of this Company means the closing of this Firm's business, and if on the other hand against all justice we should be called upon to pay a further sum because your own article (for which you received the money) went wrong, it would mean that the greatest business organisation in the world thought proper to crush a Firm who they admitted in past times when required rendered them inestimable service, and effected a saving in their Department of large sums of money by never in their tenders taking advantage of the conditions prevalent in time of war.

We trust the Council when dealing with this matter will look upon it in such a reasonable spirit that they may absolve us from any further claim especially considering the two years had almost expired when the small quantity of Emergency Rations were found defective.

In conclusion we are quite able to prove to their satisfaction that in the replacement of the Emergency Rations in every case where there was a defective tin it was replaced by Pemican purchased from the War Office, and paid for to them. Moreover at the time these were replaced those that were not defective had more than lasted two years, the period you suggest they were guaranteed, and we cannot think after nearly five years we are to be penalised in a manner unheard of in the history of commercial undertakings, and we trust taking all the facts into consideration you will absolve us, as this case hanging over us is practically paralysing the whole of our energy.

* Will you kindly consider this letter is not in any way to be used in a public way or against us hereafter, but it is written as a private communication.

We have the honour to be,

Sir,

Yours faithfully,

MACONOCHE BROS., LTD.,
(Signed) A. W. MACONOCHE, Managing Director.

No. 38.

131, Leadenhall Street, London, E.C.
19 November 1904.

Sir G. D. A. Fleetwood Wilson, C.B., War Office, S.W.

Sir,

Referring to the 497,125 tins of Emergency Rations which we undertook to replace, the whole of the orders for these articles were manufactured for and on your account, we simply acting as we understood as your employees in the matter and not as ordinary Contractors, although we signed the ordinary guarantee form which we understood was only for office reference, and not to be taken as an ordinary guarantee. We regret that there was a misunderstanding and that we should suffer through this misunderstanding, and while on this subject we trust the guarantees that you insist upon from contractors may in future be made so clear there can be no misunderstanding, causing trouble and loss to all concerned.

You may remember that we were not able to complete the balance of 131,525 of the above quantity because you ran out of Pemican, and it was distinctly understood when we arranged to replace the Rations before

* NOTE.—Objection to publication waived by Mr. Maconochie (4/4/5).

mentioned that you would supply us (although there was no guarantee to do so) with your Pemnican, because you had more confidence in the Pemnican that you supplied than that supplied by us, and the replacement should be done under the supervision of your own special experts.

We were then informed by letter (No. 16) dated 14th April, 1902, it would take many months to get the balance of quantity of Pemnican to enable us to complete the replacement, and after waiting for some time received a letter asking us to make an offer for a settlement, and you to accept only 24,000 tins out of the balance of 131,525 plus a money payment. We made an offer which was not accepted, and the matter has dragged on until now nearly two years since the question was first raised, and five years since these goods were originally supplied, and on no occasion since the time when you stated that you had no further supplies of Pemnican have you offered us a supply, and we clearly understood that it was not your desire to replace them, as they had served their purpose and you had not incurred any loss, and that you preferred a money payment to replacing them.

Notwithstanding that we have all along been prepared to replace these goods, although we are perfectly satisfied whatever the legal position may be we are morally not due you anything, and we do not think any business Firm in the world could make such a claim as your Department is now making upon us. It appears to us that no matter what valuable service a Company may render you in time of need and trouble, it is never taken into consideration, and the pressing of this matter seems to us nothing less than persecution.

We would respectfully point out when we placed our works and experience at your disposal and promised you should not be short of any particular class of goods in our line that you wanted, and which we afterwards supplied in immense quantities far greater than any other Firm in the World could have done at the time, and that we never on any occasion charged you more than a small legitimate profit, and our prices if investigated we are confident will show a nett saving to your Department of no less than £150,000 as compared with what you would have to pay to other Firms even if those other Firms were able (as they were not) to carry out your demands.

We also have suffered through the statements made in places regarding our Firm, (although not to blame), especially from the fact that we had laid aside a great portion of our export trade to carry out your requirements, and the damage caused to us by this we have never recovered.

If we were now to replace these Emergency Rations after this long period the Cocoa Paste would be five years old, and we think you would have no confidence in issuing to the Troops an article of this age which we understand is against the custom of your Department to issue after two years, we should run the risk of our credit being further damaged as Manufacturers, therefore although as we before stated we are suffering through a grave misunderstanding, we feel sure it is not by the desire of your Department, but simply by the rules and conditions under which you work.

Rather than continue the controversy we are prepared to pay the large sum of £2,500 (two thousand five hundred pounds) in full settlement of all claims of any kind or description by the War Office, or any person acting through them, and should the offer we have now made not be satisfactory it is definitely understood this offer does not prejudice us in any way, and this letter to be returned to us.

We are,
Sir,
Yours faithfully,
(Signed) MACONOCHE BROS., LTD.

No. 39.

53/Cape/9062. Q.M.G. (C.)

29 November 1904.

Gentlemen,

I am commanded by the Army Council to acknowledge the receipt of your (No. 38) letter of the 19th instant with reference to your contracts for Emergency Rations, and to inform you that, although unable to accept all the statements made in that letter as accurately representing what has passed in connection with these contracts, they are prepared, subject to the concurrence of the Lords Commissioners of His Majesty's Treasury, to accept your offer of £2,500 (Two thousand five hundred pounds) in full satisfaction of all claims of this Department outstanding against you at the present date.

Steps will be taken at once to obtain the concurrence of the Treasury, and their decision will be communicated to you in due course.

I am to add that a settlement of the claim by January 15th, 1905, will be accepted as satisfactory.

(Initd.) G. D. A. F. W.

I am, Gentlemen,
Your obedient servant,
(Signed) E. W. D. WARD.

Messrs. Maconochie Bros. Limited, 131, Leadenhall Street, London, E.C.

No. 40.

Maconochie Brothers, Limited,
131, Leadenhall Street, London, E.C.
22 February 1905.

The Secretary, War Office, London, S.W.

Sir,

Emergency Rations.

Referring to our letter (No. 38) of the 19th November, 1904, and your letter (No. 39) of the 29th November, 1904, reference 53/Cape/9062. Q.M.G. (C), accepting the proposal we made to settle this matter, subject to the approval of the Treasury, as we have had no reply we presume our offer was not accepted.

Under the circumstances we are ready to complete the original arrangement of the (No. 9) 25th October, 1901, to replace the tins of defective Pemnican, and wish at the present time to confirm the verbal offer made by us on several occasions during these negotiations to do so, but presume as you only claim that the goods were guaranteed for two years and they lasted one year and eleven months before any were found defective, and that you have not required these goods and suffered no loss whatever, and that we never gave a guarantee, and never intended to give a guarantee, and that these goods were manufactured solely for and on your behalf, and that it was at your option to supply the material for manufacture, which option you exercised as long as you had supplies of your own, and the prices were fixed by yourself, on figures based on the cost of manufacturing the article by your own people at Woolwich, we take it that you will make a reasonable reduction in the 131,000 tins that are left incomplete, owing to the length of time which has expired since first supplied being upwards of Five years.

We are preparing samples of Pemnican which we will submit to your Officers at Woolwich for their approval as soon as we hear from you.

We have the honour to be,
Sir,
Yours faithfully,
(Signed) MACONOCHE BROS., LTD.
EDWARD HARVEY, Secretary.

03.

No. 41.

131, Leadenhall Street, London, E.C.
16 March 1905.

The Right Hon. Hugh O. Arnold-Forster, M.P., Secretary of State for War, War Office, S.W.
Sir,

Emergency Rations.

It has come to our knowledge that Dr. Macnamara (Member for North Camberwell) is asking a question regarding Emergency Rations, in which our name is mentioned.

We feel sure that your Department wish to be just to the Contractor, and we have to point out:—

1. That the manufacture of Emergency Rations was not in accordance with the usual practice, as part of the material was supplied by Woolwich and paid for by us.
2. That no contract price was fixed by the Contractor but entirely by the Contract Department.
3. That one year and eleven months elapsed before any were found defective.

When the complaint was made it was estimated that 250,000 tins required examination, but eventually you insisted upon the examination of 497,125. We agreed to do this on condition that the examination and replacement should be under the supervision of your own special expert, and the material required for replacement should be supplied by you, the Contractor paying you for it, so that no complaint could afterwards be made against the Contractor.

Out of the 497,125 tins, 365,600 were delivered, the other 131,525 not being completed because of the lack of material, and also because the Department did not then require them, and preferred trying to obtain a cash payment which they eventually arranged for of £2,500.

That all the Pemican was examined before being packed, and that it is over five years since the goods were delivered.

The Contractors have always been willing to replace the balance of 131,525.

We have to point out from the first we have stated that it was an article that would not keep for a lengthened period, and we disputed our liability under the guarantee as we understood these goods being manufactured for and on account of your Department, and not being the same as an ordinary contract we were informed that the usual form which was signed was only for office reference, and we were under the impression we had not given any guarantee.

The balance which subsequently went defective was outside the guaranteed time for which you claim they were guaranteed, being over two years.

To enable us to carry out the manufacture of these goods for you we placed a very large amount of our regular trade on one side, incurring thereby a very heavy loss of trade, which we have not since been able to recover.

We are,

Sir,

Yours faithfully,

(Signed) MACONOCHIE BROS., LTD.

MACONOCHIE BROTHERS, LIMITED—EMERGENCY RATION .

(A).—CASE for the OPINION of the LAW OFFICERS and Mr. SUTTON.

Herewith are sent:—

1. Copy Departmental Minutes.
2. Copy Correspondence between the War Office and Treasury and Further Correspondence with Maconochie Brothers, Limited.
3. Copy Correspondence with Maconochie Brothers, Limited, prior to February, 1903.
4. Copy Correspondence between War Office and Military Authorities in South Africa.
5. Copy Certificates of Analysis.
6. Copy Form of Tender and Conditions.
7. Copy Return of Deliveries made by Maconochie Brothers.
8. Copy Reports of Board of Officers.

As the Law Officers and Mr. Sutton are probably aware, an Emergency Ration consists of two cylindrical or oval tins with flat or spherical bottoms fastened together, top to top, with a band of tin and solder, so that the whole consists of a round or slightly flattened cylinder having flat or rounded ends as the case may be. One tin contains 5 oz. of Cocoa Paste, the other 4 oz. of Pemican. These are usually manufactured at the Reserve Depot, Woolwich. Owing, however, to the sudden demand at the outbreak of the South African War, the Department was unable to turn out a sufficient quantity, and in November, 1899, Maconochie Brothers, Limited, who were Contractors for other goods with the War Department, were approached for the purpose of ascertaining whether they could supply Emergency Rations. Maconochie Brothers were willing to employ their factory at Fraserburgh exclusively at this work, and were thereupon instructed to proceed to their full output, the orders subsequently being covered by formal contracts, the first of which is dated the 4th December, 1899 (a copy of the form of Tender is herewith). It will be observed that by Clause 7 the Contractors warranted the articles to keep sound and wholesome in any climate for a period of two years from date of delivery. Maconochie Brothers contend that they regarded the contracts as a formality and did not observe the Warranty Clause, which they would not have intentionally assented to, whilst the War Department admits that had Maconochie Brothers declined to enter into the warranty it would not have been insisted on. The fact, however, remains that the Contract is in that form. Maconochie did not make or deal in the Pemican required for the Emergency Rations, and they therefore requested the War Department to supply them with a certain quantity of this whilst they made the best arrangements they could for obtaining a further supply elsewhere. This was done, and a certain quantity of Pemican was supplied them from Woolwich, and from the Woolwich Pemican 98,794 rations were made. The total number of rations supplied was 1,790,000; of these 1,292,588 were sent to South Africa and 497,412 retained in this country. It is not known which of these contained the Woolwich Pemican. A return of the various deliveries made by Maconochie's has been prepared by Lieutenant-Colonel Edes of the Supply Reserve Depot, Woolwich (copy dated July, 1902, herewith), which shows the dates of delivery of the various consignments, extending from the 19th December, 1899, to the 26th June, 1900. Of the 497,412 rations retained in this country, 362,552 were kept in store at Woolwich, 134,860 being issued to Home Stations. In October, 1901, some of the Woolwich rations were found to be unfit for use (see Reports of Analysis herewith) and Maconochie's were informed of the fact (see letters of 8th and 25th October, 1901). It was then arranged (see letters of October 25th and November 8th, 1901) that Messrs. Maconochie should take back the rations and deliver fresh articles in their place. The South African rations were, in consequence of the deterioration of the Woolwich rations, by telegram of October 8th, 1901, ordered to be examined. On October 29th, 1901, it was reported from South Africa that

250,000 rations had been "withdrawn" (i.e., as the War Office understand, withdrawn for examination, not actually condemned), and Maconochies were subsequently informed that 612,552 rations (362,552 from Woolwich + 250,000 in South Africa) would have to be replaced. (See War Office letter of 11th November, 1901).

The rations at Woolwich, and practically all the rations issued to Home Stations, were returned to them, amounting in all to 497,125, and of these Maconochies have replaced 365,600, leaving 131,525 still due.

On March 19th, 1902, it was reported by General Officer Commanding, South Africa, that a quantity of 688,702 rations had been rejected and destroyed, and on April 4th the General Officer Commanding reported a further 199,726 rejected and destroyed, bringing up the total of rejections in South Africa to 888,428, and Maconochie's were asked to replace an additional 773,021 rations. (See War Office letter of the 21st May, 1902.) To this Maconochies demurred (see letter of the 26th May, 1902).

It appears now, as the result of recent enquiries, that the number of 888,428 was below the mark, the true number being 945,137.

Enquiry was then made of the Officer Commanding Transvaal and Orange River Colony as to the dates upon which the rations in question were condemned. It was considered, however, from his reply of the 5th September, 1902, that this could not be ascertained, and as it was considered impossible to say whether the rations were condemned within the warranted period of two years or not, Maconochies were informed on the 24th October, 1902, that they would not be asked to replace the further quantity of rations referred to in War Office letter of the 21st May, 1902.

With regard to the rations condemned in South Africa out of the 1,292,588 sent to that country, it is possible that the deterioration of these rations was to some extent due to the conditions under which the rations were unavoidably stored there.

The conditions of storage of Emergency Rations in South Africa were the same as in the case of the Meat and Vegetable Rations condemned at Pretoria upon which the Law Officers and Mr. Sutton advised on the 8th February, 1904 (the original Case and Papers in that case are herewith). The War Office is of opinion that "the bad effects" (the deterioration of the rations) "might be partly attributable to such conditions." But with regard to this point the Law Officers and Mr. Sutton will doubtless take into account the fact that the Home rations as to which no question of bad storage arises were also found to be bad.

Of the 497,125 rations actually delivered to Maconochie from Home Stores to be dealt with in accordance with their offer of the 25th October, 1901, 365,600 have been actually replaced by them, leaving a balance of 131,525 still in their hands.

On the 13th January, 1903 (see letter of that date), the firm offered to supply 24,000 further rations and make a money payment of £599 in settlement of the matter. It is stated by the War Department that this offer was made on the understanding that no claim should be made against the firm for the value of the Emergency Rations destroyed in South Africa.

The War Department is contemplating the adoption of a new form of ration, and 24,000 is all that is required of the old form to complete the reserve. The War Department would therefore prefer a money payment to the re-delivery of the remaining rations. These facts are known to Messrs. Maconochie & Co.

The Secretary of State for War, before accepting or declining this offer, communicated with the Lords Commissioners of the Treasury (copies of this and other letters are herewith). The Law Officers and Mr. Sutton will see from these that it is desired that they should advise upon the question "what are the precise rights of the War Department in the matter, and what course should be adopted if it is determined to enforce those rights."

The attention of the Law Officers and Mr. Sutton is drawn to the terms of the Correspondence between the War Department and the Treasury, and especially to the Treasury letter of 16th July, 1903, and further to the Minute of Mr. Major, the Director of Army Contracts, of 16th August, 1903, in which the view taken by the War Office is fully stated.

It should be pointed out that the Treasury letter of July 16th, 1903, is in error in stating that 1,138,428 rations were condemned in South Africa; the number as then appearing was 888,428.

The 250,000 rations referred to in War Office letter of 11th November, 1901, have apparently been added to the latter number, whereas in truth they formed part of the number destroyed. The true number destroyed is now ascertained to be 945,137.

It will be observed that it is stated in Mr. Major's Minute of 16-8-03 that only 41,868 of the rations condemned in South Africa could be proved to have been condemned within the Contract period of two years.

Further enquiry, however, was made of the G.O.C. in South Africa, and actual reports of Officers' Boards are now forthcoming, showing the condemnation of 412,725 Maconochie Emergency Rations by 7th December, 1901. As the first delivery under the contract took place on 19th December, 1899, it is clear that all these rations were condemned within two years of delivery as required by the Warranty Clause. Copies Reports herewith.

Following is a list of the condemnations of which actual reports are in hand (they are over 200,000 short of the total destroyed, as many of the actual reports are missing, though the result of them is recorded in the office of the G.O.C. at Pretoria). It does not appear possible to show that any of the condemnations other than the first four fall within the two year period, since taking the whole number condemned (including the 200,000 odd) there was at the time of each condemnation an equivalent or larger number of time-expired rations in South Africa which might possibly have included those destroyed, and for present purposes it seems necessary to rely only upon the first of four items.

SUMMARY OF REPORTS OF CONDEMNATION BY BOARDS, ETC.

| | | | | | | |
|---------------|----|-----|---------------------|-------|---------------------|-----------|
| Elandsfontein | 1 | - - | 21st October, 1901 | - - - | 71,924 | } 412,725 |
| Pretoria | 2 | - - | 13th November, 1901 | - - - | 330,160 | |
| Heilbron | 3 | - - | 25th November, 1901 | - - - | 7,622 | |
| Eshowe | 4 | - - | 7th December, 1901 | - - - | 3,019 | |
| East London | 5 | - - | 4th February, 1902 | - - - | 36,618 | |
| Kimberley | 6 | - - | 26th February, 1902 | - - - | 50,527 | |
| Orange River | 7 | - - | 27th February, 1902 | - - - | 12,283 | |
| Johannesburg | 8 | - - | 7th March, 1902 | - - - | 17,991 | |
| Standerton | 9 | - - | 8th March, 1902 | - - - | 19,704 | |
| Kroonstad | 10 | - - | 8th March, 1902 | - - - | 1,609 | |
| Springs | 11 | - - | 12th March, 1902 | - - - | 2,247 | |
| Ladysmith | 12 | - - | 13th March, 1902 | - - - | 1,920 | |
| Krugersdorp | 13 | - - | 17th March, 1902 | - - - | 27,138 | |
| Rustenburg | 14 | - - | 17th March, 1902 | - - - | 1,712 | |
| Middelburg | 15 | - - | 20th March, 1902 | - - - | 36,640 | |
| Wonderfontein | 16 | - - | 23rd March, 1902 | - - - | 1,420 | |
| Vryburg | 17 | - - | 27th March, 1902 | - - - | 1,994 | |
| Bloemfontein | 18 | - - | April, 1902 | - - - | 24,560 | |
| Pietersburg | 19 | - - | 5th April, 1902 | - - - | 1,275 | |
| Kroonstad | 20 | - - | 2nd May, 1902 | - - - | 31,888 | |
| | | | | | <hr/> 682,251 <hr/> | |

The following observations are submitted for consideration :—

- A.—As regards the home rations, the matter appears to rest on the agreement contained in the letters of 25th October, 1901, and the 8th November, 1901, and as Messrs. Maconochie & Co. have actually taken over the whole 497,125 rations, the agreement must, it seems, be taken to apply to the whole number, and not to be limited to the number of 362,552 mentioned in the War Department letter of 11th November, 1901. It is suggested by Mr. Major that the firm might contend that in the 497,125 might be included some or all of 98,974 rations which were made by the firm out of Pemmanic supplied from Woolwich. These rations are not distinguishable from the other rations supplied by the firm, and it would, perhaps, be difficult for the War Department to establish a claim on the warranty in respect of rations so constituted. It is, however, for consideration whether the agreement contained in the letters of 25th October, 1901, and 8th November, 1901, has not precluded the firm from setting up any such claim, and whether they are not now bound to replace the outstanding balance of 131,525 now in their hands. On the other hand, it would seem that the War Department could not claim any money payment in respect of these rations should the firm be willing to re-deliver them.
- B. As regards the rations destroyed in South Africa they do not seem to have been contemplated by the agreement contained in the letters of 25th October, 1901, and 8th November, 1901, for it will be seen that the correspondence leading up to the agreement (see the firm's letter of October 8th, 1901) only deals with the rations at Woolwich, and it was not until October 29th that it was known by the War Department that there were any defective rations in South Africa, and the existence of such rations was first communicated to the firm by the War Office letter of November 11th, 1901.

The War Department concur in this view—see first paragraph of Director of Contract's minute of 12-10-03.

The claim of the War Department, as regards rations destroyed in South Africa, seems therefore to rest still upon the Warranty Clause in the Contract. The Contract Department, however, consider that the Contractors might contend that there was an implied understanding that the agreement to replace should apply to the South African rations, as well as the home rations: the letter of November 11th, 1901, from the War Office to Maconochies, mentions 362,552 rations condemned at Woolwich, and it has been mentioned that a further 134,573 (making a total of 497,125) were returned to them from other Home Stations. The return of these rations was completed before February, 1902, but the War Office do not think it could be established, if denied by Maconochie's, that they knew that these 134,573 rations came from Home Stations and not from South Africa. See also the language of the all-important letter from the War Office of October 24th, 1902, that they would not be asked to replace the further quantity. On the other hand, the return of rations scattered at various Stations in South Africa does not seem to be a feasible process or likely to have formed a basis of arrangement, and it was not, in fact, intended by the War Office.

The total number of the firm's rations destroyed in South Africa has been stated above. The War Office, however, considering that it was impossible to prove that the condemnation of these tins was made within two years of their delivery so as to comply with the Warranty clause, informed the firm that they would not be asked to replace more than the 612,552 rations referred to in W.O. letter of November 11th, 1901—see letters of 11th November, 1901, 21st May, 1902, and 24th October, 1902. It is conceived that possibly after this intimation the claim of the War Department cannot in any case go beyond 612,552 rations in all—including rations destroyed at home and those destroyed in South Africa, but this is for the consideration of the Law Officers and Mr. Sutton: no binding agreement seems to be constituted. If this view is correct, it would seem that only the balance of 115,427 remaining after deducting from the 612,552 the 497,125 actually returned to them from Home Stations, could be made the subject of a claim in respect of rations destroyed in South Africa.

It would seem further that Messrs. Maconochie might contend that the whole of the 98,794 rations made of Woolwich Pemmanic, the destination of which cannot be traced, were amongst those sent to South Africa, on which footing this amount should be deducted from the 115,427.

It will be noticed that the War Office, in their letter of 11th November, 1901, take no account of the 134,573 from Home Stations other than Woolwich, which were afterwards taken back by Messrs. Maconochie, and therefore, presumably included in the agreement for replacement; an alternative view would be that these also must be included in the claim, which would admit a claim of 250,000 in respect of South African rations.

The Law Officers and Mr. Sutton may perhaps feel themselves able to express an opinion on the general policy and fairness of possible legal proceedings, apart from the strictly legal position. In this connection they are referred to the War Office letter to the Treasury of 27-2-03 and to Mr. Brodrick's Minute of 22-7-03 D. A. C.'s Minute of 16-8-03; and to the correspondence between War Office and Maconochie.

The questions for the opinion of the Law Officers and Mr. Sutton appear to be as follows :—

- (1) As to the Home Rations, what are the legal rights of the War Office as regards the 131,525 ration still remaining in Messrs. Maconochie's hands?
- (2) As to the rations condemned in South Africa, could the War Office institute proceedings under the Warranty Clause with a reasonable prospect of success?
 - (a) in respect of the full number of 412,725 rations condemned within the two years' period. The amount payable for 412,725 would be £27,515; or
 - (b) in respect of the 250,000 rations mentioned in the War Office letter of the 11th November, 1901. The amount payable for 250,000 would be £16,686 13s. 4d.; or
 - (c) in respect of the 115,427—balance of the 612,552 mentioned in letter of 11th November, 1901, after deducting the whole of the 497,125 returned from Home Stations. The amount payable for 115,427 would be £7,625 2s. 8d.; or
 - (d) in respect of either (a), (b) or (c), as the case may be, less the 98,794 rations, of which the Pemmanic was supplied from Woolwich. The amount to be deducted in respect of 98,794 rations would be £6,586 5s. 4d.

The figures are approximate, being based on an average of 1s. 4d. per ration.

- (3) Whether the offer of the firm to supply 24,000 further rations and a money payment of £500 might properly be accepted in settlement of the whole claim.
- (4) GENERALLY, what is the fair and proper course for the War Office to take in the matter.

B.—MACONOCHIE BROTHERS, LIMITED.—EMERGENCY RATIONS.

FURTHER CASE FOR THE OPINION OF THE LAW OFFICERS AND MR. SUTTON.

The Law Officers and Mr. Sutton are referred to the previous case laid before them in this matter and to the accompanying papers.

Herewith are sent copies of further Minutes and Correspondence which have passed since the previous opinion of the 19th May, 1904. For convenience the Minutes and Correspondence are put together in order of date in one bundle (marked 9).

After consideration of the Law Officers' opinion, the War Office, on the 6th September, 1904 (bundle 9, p. 8) wrote to Messrs. Maconochie with a view of endeavouring to obtain from them a better offer than their previous offer, which was to pay £500 and to replace 24,000 rations. It will be observed that the large number of rations destroyed in South Africa are referred to in this letter, and that it is admitted that it is impossible to distinguish which of them were composed of Pemman supplied by the War Department and which were made from Pemman supplied by Messrs. Maconochie. Finally, Messrs. Maconochie were asked to submit a further offer.

The attention of Counsel is called to Messrs. Maconochie's reply of the 10th September (bundle 9, p. 10), in which they detail at great length the circumstances under which the contract was entered into, and under which they signed the form containing the guarantee clause. It will be observed that in this letter Messrs. Maconochie go somewhat further than Mr. Major did in his Minute of the 16th August, 1903, which is in the papers accompanying the previous Case (bundle 4, page 2). Messrs. Maconochie now assert not merely that the clause was inserted without their attention being called to it, but that there was actually an express verbal understanding that the guarantee should not be given, but that the form should be signed only for office purposes. The Law Officers and Mr. Sutton will perhaps consider whether, having regard to the importance of this issue of fact, a statement should be taken from Mr. Major, who has now retired from the Public Service. Messrs. Maconochie made no offer in this letter, but asked for an interview. The matter was considered at the War Office, as will be seen by the Minutes following their letter. Attention is drawn to the Minutes of Sir Guy Fleetwood Wilson, Mr. Bromley Davenport, and Mr. Arnold Forster on pages 19 and 20 of bundle 9. Ultimately, in pursuance of the decision arrived at by the Secretary of State, Messrs. Maconochie were written to on the 29th September, asking that the matter should be referred to arbitration. To this a private reply was sent on the 6th October to Sir Edward Ward containing a strong appeal for consideration and practically stating that if proceedings were taken the firm would be ruined.

The War Office, on the 15th October, again pressed for an answer to the proposal for a reference to arbitration, which was followed by an interview on the 1st November between Mr. Bromley Davenport and Sir Guy Fleetwood Wilson and Mr. Maconochie, at which Mr. Maconochie was informed that the War Office could not agree to less than £2,500 in settlement. On the 19th November, Messrs. Maconochie again wrote ultimately offering the sum of £2,500 in full settlement. To this the War Office replied that they were prepared to accept the offer subject to the concurrence of the Treasury. The attention of Counsel is specially called to this reply, from which Messrs. Maconochie will be aware that the two Departments are not in agreement on the matter.

A correspondence then passed between the War Office and the Treasury, the War Office on the 29th November asking for the sanction of the Treasury to the acceptance of the sum of £2,500. On the 29th December the Treasury replied that they were not prepared to sanction the offer and to justify the Department, and recommended that unless Messrs. Maconochie would go to arbitration, litigation should be at once commenced to enforce the full legal rights of the Government, which they desired should cover (1) the case of the rations sent to South Africa as well as of those retained at home, and (2) the case of the 365,600 rations which were supplied by the firm in replacement of condemned rations and which had proved unsatisfactory. This second part of the case has not yet been before the Law Officers, and instructions with regard to it are hereinafter contained.

The War Office replied to the Treasury on the 17th January, pointing out that the opinion of the Law Officers appeared to preclude the possibility of the matter being taken into court with any chance of success, and further, that the Council had ascertained unofficially that Messrs. Maconochie would not accept arbitration, but would replace the 131,000 Emergency Rations still remaining to be replaced under their replacement agreement. The reply of the Treasury on the 30th January was to the effect that the opinion of the Law Officers was that the result of any proceedings instituted against the firm in respect of the rations condemned in South Africa would be doubtful, and that their Lordships did not understand this as meaning that the matter could not be taken into Court with any chance of success, but that, on the information before them, the Law Officers felt unable to say what the result would be, and that their Lordships considered that as long as there was any reasonable doubt on the point, and failing a reference to arbitration, legal proceedings should be instituted, as the House of Commons would require to be satisfied that all proper steps had been taken to protect the public interest.

The reference to the Treasury Solicitor by the War Office, in pursuance of this letter, states that the Financial Secretary has been definitely informed by Mr. Maconochie that he would not accept arbitration, but was prepared to replace the balance of the rations destroyed in England, as to which it appeared therefore that no legal question arose.

Attention should perhaps be called to the Report of the Committee of Public Accounts, 1904, p. xvii., and to the evidence at p. 259, because it might at first sight appear to affect the present question. The opinion of the Law Officers mentioned in the Report and evidence is not the opinion given in this case, but that given in the case of the Meat and Vegetable Rations destroyed in Pretoria. The opinion given in this case was never disclosed to the Committee. A copy of the Report is herewith for reference.

FAILURE OF REPLACED RATIIONS.

See COPY OF MINUTES, &c., relating to this subject in bundle No. 10, and of Correspondence in bundle No. 11.

It will be remembered that in October, 1901, it was discovered that certain of the Rations retained at Home were unfit for use, and Maconochies were informed of the fact. They eventually agreed to examine every tin and supply fresh articles where necessary. The War Department accepted this offer (see letters of the 25th October and 8th November, 1901, which will be found in the Copy correspondence with former papers).

The 497,125 Rations were returned to Maconochies, who replaced 365,600 of them, leaving a balance of 131,525, which are still outstanding.

It is stated by Maconochies that the returned rations were repaired, examined and replaced under the supervision of Dr. Littlejohn (who appears to be an expert employed by them*), and wherever the Pemman required replacing this was done with Pemman purchased from the War Department. Maconochies further state that only those tins were retained that the War Department had supplied the Pemman to fill originally (see letter of 16th July, 1903).

The War Department, in fact, supplied Maconochies with sufficient Pemman to make 231,498 rations (not counting, of course, the Pemman originally supplied by the War Department).

It is therefore possible, as alleged by Maconochies, that all the 365,600 replaced rations contained War Department Pemman either old or new. These replaced rations were delivered between December, 1901, and May, 1902, 142,913 of them were sent to South Africa, and the War Department has no further information about these; they are assumed to have been satisfactory. The balance (222,687) were stored in the British Isles.

In March, 1903, the War Department had occasion to institute an examination of Emergency Rations in store in the British Isles, and from the partial examination of the replaced rations then made it appeared that many of them were again bad. On the 2nd July, the Director of Army Contracts referred the question of whether or not the replaced rations fell within the original two years' warranty to the Treasury Solicitor, who advised that in his opinion they did so. (See copy Departmental Minutes herewith.)

On the 14th July, Maconochies were accordingly informed of the examination, and that a further examination would be made, and requested to state whether they wished to be represented at the examination. Maconochies appear to have replied to this request informally to the effect that it would be an admission of liability to be present, and as regards the main question stated in effect that all the Pemman used was War Department Pemman, and that they were not liable. (See letter of 16th July, 1903.)

* NOTE—He was employed by the War Department.

The Treasury Solicitor was again referred to upon this point (see Minutes of the 26th August and 3rd September, 1903), and generally upon the whole question in April, 1904 (see Minutes of 8th and 11th April, 1904). It will be observed that the War Department was advised that only in the case in which the Pemican was good and the Cocoa bad could a claim be put forward.

The War Department then proceeded to ascertain to what extent the examination which had taken place afforded the necessary information upon this point, but the information was meagre and the result not satisfactory (see Summary 32A at end of copy Departmental Minutes herewith).

This was the only examination that has been made, as the proposed further examination did not take place. In this connection the Law Officers and Mr. Sutton are referred to Mr. Perry's Minute of the 11th July, 1903 (No. 15 in copy Minutes herewith), from which it will be seen that the number of tins examined was in fact less than five per cent. of the whole, and on this examination the whole was condemned.

It was not at that time, therefore, having regard to all the circumstances, thought necessary by the War Department to trouble the Law Officers in the matter, which was allowed to drop.

Minutes 30-33 inclusive in bundle 10 summarise the position and the evidence available.

The LAW OFFICERS and Mr. SUTTON are requested to advise :—

- (1) On the main question what steps should now be taken, and,
- (2) What steps should be taken with regard to the matter of the replaced rations,
- (3) Generally.

NOTE.—All War Office papers bearing on this case were placed in the hands of the Treasury Solicitor, by whom the cases were prepared for the Law Officers.

APPENDIX, No. 6.

PAPER handed in by Sir Guy Fleetwood Wilson, C.B.

*Specimen Contract.*OATS--AUSTRALIAN, NEW ZEALAND, TASMANIAN.

CONDITIONS OF CONTRACT.

1. The oats to be fair average quality of the season, sound, sweet and in good condition when shipped. To be shipped in bags of the best quality obtainable (unless otherwise specially provided). Bags to contain 80 lbs. net.

2. The oats and oat bags are to be inspected, in regard to quality, condition and weight by the Government of _____, on behalf of the Secretary of State for War, such inspection to be final as to the quality and weight of the oats. The cost of any re-bagging found to be necessary at port of discharge to fall on Contractor. The decision of the Military Authorities as to the necessity for re-bagging is to be final.

3. The steamer to carry no deck cargo of any kind. Name of steamer, port of loading and date of shipment to be reported by Contractor to the Director of Army Contracts at earliest possible date. Any alteration to be reported immediately.

4. The steamer to call at Durban for orders (to be given within 24 hours of arrival), and may be required to discharge at any two of the following ports, viz. :—Durban, East London, Port Elizabeth, Cape Town, or Delagoa Bay.

5. If discharging at East London, the steamer should be able to cross the bar. If not able, any lighterage incurred to be paid by Contractor.

6. The oats to be unloaded at the average rate of not less than 250 tons weight per day, Sundays and holidays excepted. Demurrage if incurred, to be paid by Government at the rate of sixpence per net register ton per day. Demurrage for half a day only will be paid where the detention does not exceed twelve hours.

7. On arrival of each steamer at Durban an advance of 80 per cent. will be made in London on the value of the cargo (less freight), on production of insurance policies and bill of lading. Insurance to be effected with approved underwriters and (or) companies. If freight and freight contingencies are insured, the advance will be 80 per cent. of the invoice value. The balance due will be paid in London within fourteen days of the receipt of a cable from the General Officer Commanding, Cape Town, notifying discharge. In regard to any payment made to Contractor in respect of freight or demurrage, he shall indemnify the War Department against any claim of the shipowner for the amount so paid.

8. The Secretary of State for War has the option of cancelling this contract if the vessel has not arrived at port of loading on or before -----.

APPENDIX No. 7.

PAPER handed in by Sir *Guy Fleetwood Wilson*, Friday, 14 April 1905

DECENTRALIZED ARMY FINANCE.

The question of my responsibility as Accounting Officer, alluded to in the Treasury Minute of 5th November 1904, is one to which great importance attaches. I desire to submit a statement to the Committee in regard to the effects of decentralization and other changes in Army organization, upon my power to exercise that supervision over financial matters upon which responsibility depends.

These effects vary according to the nature of the responsibility; and I would, therefore, ask the Committee to consider in the first instance the different classes of responsibility which they call upon me to assume.

The primary responsibility of an accountant is to secure that expenditure is duly brought to account, properly vouched, and arithmetically correct, and in accordance with the rules laid down for the expenditure in question. In the Army these rules take the form of "regulations." This, which I may term "clerical accounting," though laborious, is not a difficult matter. I do not think that my facilities for carrying it out are affected by the changes which have been made.

Secondly, there is the responsibility for securing that expenditure is authorised by competent authority, which I have to certify in the Appropriation Account. This is a task of difficulty and delicacy, as it involves a right to question the competence of those who may be in authority. I cannot perform this task without certain powers, or delegate a portion of it to others unless certain powers are delegated to them.

Thirdly, there is the responsibility, not so explicitly laid down, for considering whether expenditure, duly supported as regards clerical correctness, and duly authorised by competent authority, violates any principles of economy. The questions which this Committee put to me indicate that they expect me not to disregard this consideration, and to be prepared to state the whole financial bearings of expenditure to them; though they doubtless recognise that I can only criticise it within certain limits, and do not expect me to express a personal opinion upon matters of policy decided by my official superiors. This is a responsibility as difficult to define as to exercise, and therefore an exceedingly difficult one to delegate.

It is, of course, well known to the committee that I cannot, in any case, personally scrutinize the immense number of transactions entering into Army Accounts, but must have them examined by a staff under me. I am able to assume the responsibility for the work of this staff, provided that their work is subject to my control, that they can direct my attention, if necessary, to any point upon which I might wish to comment, and that I can rely upon them to do so. Hitherto my staff have been Officers of the Civil Service working at the War Office, and at certain outstations, entirely as members of my department, and with the right of report direct to me. The recent scheme of Army Organisation is liable to be held to have altered their position in this respect, and I think it necessary that this point should be made quite clear.

I would in the first place invite the attention of the Committee to the Special Army Order of the 6th January 1905 (which I will hand in), as to the re-organisation of the Army Commands, and especially to paragraphs 57, 59 and 61, viz. :-

57. He (The Major-General or Brigadier in charge of administration) will be directly responsible to the War Office on financial subjects, and will see—

- (a.) That the money voted by Parliament is not expended without due authority, under the rules laid down by Parliament and the Treasury (*see* paragraph 61).
- (b.) That the money voted is not deflected to purposes other than those contemplated by Parliament.
- (c.) That the sums allocated to him under the various sub-heads of the votes shall not be deliberately exceeded.
- (d.) That losses, and unremunerative expenditure generally, shall not be written off contrary to regulations.

He will sign a certificate to the above effect in transmitting the annual general state of accounts.

59. The chief accountant of a Command, who will be an official of the Finance Member's department, will serve upon the staff of the major-general (*or* brigadier) *i/c* administration, and will be under his orders, subject to paragraph 61. He will correspond direct with the principal accountant at the War Office on matters relating to audit, the preparation of the appropriation account for Parliament, and technical questions of accounting, and also in regard to the civil personnel of the branch. On all other matters he will correspond with the War Office through the major-general (*or* brigadier) *i/c* administration.

61. Should the major-general (*or* brigadier) *i/c* administration order the chief accountant to make a payment or pass a charge which, in the opinion of the latter, is not authorised by regulation, the question will be referred by the major-general (*or* brigadier) to the Army Council.

If it be distinctly understood that paragraph 57 relates to the responsibility of the officer in charge of administration as an *expending* officer—in which sense I think the Committee will agree that it lays down a well-defined and proper responsibility—also that paragraph 59 devolves the responsibility as accounting officer upon my representative, the chief accountant; and that as auditor the chief accountant can always report direct to me (through my immediate assistant for such purposes), I have no objection to raise. If it be understood also that his power to do so is not affected by his being described in paragraph 59 as "under the orders" of the local officer in charge of administration (which, I take it, refers to functions other than those of audit), or by the provisions of paragraph 61, which lays down that the administrative officer should refer any irreconcilable difference of opinion to the Army Council, no difficulty arises.

If these assumptions are correct I shall be able to assume sufficient responsibility for the action of my subordinates as heretofore, but I submit for the consideration of the Committee that only upon these assumptions, which I hope the Committee will endorse, can I exercise that effective supervision of Army Accounts upon which responsibility depends. An expression of opinion by the Committee will be a guidance to the military and an instruction to the financial authorities.

In the second place, I think it right to point out to the Committee that the combination in the same official of the functions of financial adviser to the local general, and of auditor on my behalf, however independent of local control his duties as auditor may be, and however great the advantages of the combination may prove from a broader point of view, involves some risk from the point of view of audit. A financial adviser may naturally take up a different standpoint from that of an auditor pure and simple. Also he may advise action which does not result so profitably as he had anticipated, and which he might, if he were auditor alone, be inclined to query as extravagant in effect, though not in intention. In either case he is hardly likely to query, as auditor, charges which, in his other capacity, he has advised; and, indeed, if he does, his influence with his general will be gone. Also he will, in some respects, be dependent on the goodwill of his general, and in a few cases this may diminish the independence of his criticism.

On the other hand, a financial adviser, with his responsibility as an auditor before him, will probably be less likely to advise questionable expenditure than an adviser free from this responsibility. The combined arrangement is also very economical in staff and has already enabled me to carry out some important reforms in the way of avoiding reduplication, and it avoids the friction which would certainly arise if financial advice and audit were both localised, and were independent of one another.

The advantages of the system may outweigh the disadvantages, but it is I think right that the Committee should know that it involves drawbacks, from the point of view of an accounting officer.

The third difficulty which I would mention to the Committee is a temporary one, and I do not wish to overrate it. It is that, under the conditions upon which I have to form the new branch for the examination of accounts, I must utilise the services of a large number of officers of the Pay Department, and a still larger number of soldiers of the Army Pay Corps—none of whom have been trained to perform the duties of audit or financial criticism, with a knowledge of financial policy, and of the responsibility of the accounting officer, whom they will in future represent. Consequently Administrative Generals are less disposed to rely upon them than upon civilian auditors and advisers.

I have already discovered much excellent material in the officers of the Army Pay Department. I am confident of their integrity. I believe that they will loyally endeavour to do their new work; and I anticipate that in time many of them will learn to do it well. Their lack of training will, however, be a great drawback for some considerable time, especially during the stress of forming the new system, and I cannot hope that some cause for criticism will not arise during this period, in spite of every possible effort to avoid it. From this point of view, and without any intention of complaining of the Army Pay Department or depreciating it, I say that I could delegate responsibility—which under the policy of decentralisation I *must* delegate—with an easier mind if I were relying upon a trained civilian staff. It must be borne in mind that the Army Pay Department has been trained to accept “military authority” without criticising its sufficiency under the rules laid down by the Treasury and Parliament.

The points which I wish to put before the Committee are, therefore, that :—

(1). It is essential that my representatives in the district should be solely responsible to myself, as auditors, and should have power to approach me direct if, as auditors, they are not satisfied with any decision arrived at locally.

(2). The combination in the same person of the functions of Financial Adviser and Auditor involves certain risks from the accounting point of view, although I consider that these risks are outweighed by advantages in other respects.

(3). The incorporation in my staff of a large number of officers and soldiers untrained in the higher work of the department involves, I hope only temporarily, the risk of transactions, upon which I should desire to comment, being passed without my attention being drawn to them.

(signed) *Guy Fleetwood Wilson*,
Director of Army Finance.

14 April 1905.

APPENDIX No. 8.

PAPER handed in by Mr. Robert Chalmers, C.B.

("Copy. 42495/1904.)

- Colonial Office, Downing Street, 22 December 1904.
- Sir,
I AM directed by Mr. Secretary Lyttelton to transmit to you, to be laid before the Lords Commissioners of the Treasury, the accompanying copy of a telegram to the High Commissioner for South Africa, setting forth the agreement which has been arrived at between Mr. Lyttelton and the Chancellor of the Exchequer with regard to the various claims which have been made by His Majesty's Government upon the funds of the Transvaal and Orange River Colony.
- To H. C. tel. secret. 15th Dec.
2. It will be within their Lordship's recollection that the larger of the claims in question were the following: 1,250,000*l.* claimed by the War Office from the Central South African Railways (this claim forms the subject of Lord Milner's despatch of 16 May, a copy of which was enclosed in the letter from this Department of 13 June, and connected correspondence); 928,809*l.* 6*s.* 1*d.*, which Lord Milner admits to be due to the War Office from the Repatriation Departments of the Transvaal and Orange River Colony in his despatch of 26 September, a copy of which Mr. Lyttelton understands has been forwarded to the Treasury by the War Office, but which his Lordship considers should be largely reduced on account of the diseased condition of many of the animals taken over from the army; 126,432*l.*, being the outstanding balance of the liability of the late South African Government to His Majesty's Government referred to in your letter No. 12726/03 of 24 July, 1903; 126,000*l.*, being the cost of certain rations and equipment supplied to burghers on leaving the Refugee Camps, referred to in the letter from this Department of 4 November.
- W. O. 9th Nov. 1904
3. The War Office in a letter dated 9 November have further claimed 15,000*l.* on account of thirty days' issues of rations and personal equipment to indigent burgher families who were not inmates of the Refugee Camps.
4. It is stated in the same letter that a sum of 1,000*l.* has been paid by the Civil Authorities on account of the maintenance cost while in the Refugee Camps of ex-prisoners of war who were not entitled to be classed as camp inmates.
- Gov. 30th June, 1902. To Gov. 2nd July, 1902.
5. This action appears to Mr. Lyttelton to have been taken by the Local Authorities under a misapprehension, as it was definitely agreed between Mr. Chamberlain and Mr. Brodrick in July 1902 that this expenditure should be borne by Army Funds. This will be clear from the enclosed copies of telegraphic correspondence with Lord Milner. The War Office explicitly concurred in Mr. Chamberlain's telegram of 3 July 1902 and Mr. Lyttelton presumes that their Lordships do not propose to revise a decision deliberately taken at the time by the two Secretaries of State concerned.
6. The War Office claim for 15,000*l.* above referred to may therefore be regarded as being reduced to 14,000*l.*
7. There are also the claims dealt with in your letter to the War Office of 27 October. The War Office claim 7,014*l.* 1*s.* 11*d.* on account of the Transvaal Civil Administration expenditure, of which the Transvaal Government are only willing to accept liability for 2,181*l.* 8*s.* 6*d.*, i.e. the War Office prefer a claim, which the Transvaal Government disputes, for 4,832*l.* 13*s.* 5*d.* on this head.
- W. O. 11th Nov. 1904.
8. The War Office also have a claim, which the Transvaal Government disputes, for such proportion of an expenditure of 39,963*l.* 2*s.* 3*d.* on Constabulary "Headquarter Payments," and, as will be seen from the accompanying copy of a letter from the War Office of 11 November (paragraph 7), of a further expenditure of 2,783*l.* 9*s.* 4*d.* for Civil Administration and Constabulary Charges (i.e., of a total sum of 42,746*l.* 11*s.* 7*d.*) as was incurred before 31 March 1901, but not met till after that date.
9. The above, so far as Mr. Lyttelton is aware, represent all the claims as to which a difference exists between the Governments of the two new Colonies and His Majesty's Government, for Mr. Lyttelton has already accepted their Lordships' view on the other points referred to in your letter to the War Office of 27 October.
10. There remains only a War Office claim for 110,000*l.* for traction engines taken over from the Army at the end of the war, which Lord Milner admits and which he has expressed his willingness to meet out of the funds of the Central South African Railways, and a claim for £19,323 4*s.* 2*d.* in respect of stores, etc. supplied to the Central South African Railways after the period of military administration, i.e. after 1 July 1902.
11. This latter claim has not yet been brought to Mr. Lyttelton's notice in official correspondence, but he understands that it has formed the subject of a letter from the War Office to the Treasury of 7 January 1904, that it is quite apart from and independent of the War Office railway claim for 1,250,000*l.* referred to above, and that instructions have been sent to the General Office Commanding in South Africa to recover the 19,323*l.* 4*s.* 2*d.* locally. Lord Milner has not, to Mr. Lyttelton's knowledge, raised any question as to the validity of this claim.
12. The outstanding claims of His Majesty's Government against the Governments of the new Colonies may therefore be recapitulated as follows:—
(With regard to the claims shown under A, differences have hitherto existed between His Majesty's Government and the Governments of the new Colonies either as to the amounts of particular claims or as to the validity in

principle of the claims themselves. With regard to those shown under B, no such difference exists so far as known).

A.

| | £. | s. | d. |
|--|-----------|----|----|
| 1. War Office railway claim | 1,250,000 | 0 | 0 |
| 2. War Office claim for animals, stores, etc., supplied to the Transvaal and Orange River Colony Repatriation Departments as stated by Lord Milner | 928,809 | 6 | 1 |
| 3. Balance of debt of late South African Government to his Majesty's Government | 126,432 | 0 | 0 |
| 4. War Office claim for rations and equipment supplied to burghers on leaving Refugee Camps | 126,000 | 0 | 0 |
| 5. War Office claim for rations and equipment supplied to indigent burghers not inmates of Refugee Camps (see paragraphs 3 and 6 of this letter) | 14,000 | 0 | 0 |
| 6. War Office claim in respect of Transvaal Civil Administration expenditure (paragraph 7 of this letter) | 4,832 | 13 | 5 |
| Total | 2,450,073 | 19 | 6 |

and

7. An unknown proportion of a sum of 42,746*l.* 11*s.* 7*d.* for South African Constabulary and Civil Administration expenditure, *i.e.*, so much of this expenditure as was incurred before 31 March 1901 but not brought to account till after that date (see paragraph 8 of this letter).

B.

| | £ | s. | d. |
|--|---------|----|----|
| 1. War Office claim for traction engines supplied to Central South African Railways | 110,000 | 0 | 0 |
| 2. War Office claim for stores, etc., supplied to Central South African Railways after 1 July 1902 | 19,323 | 4 | 2 |
| Total | 129,323 | 4 | 2 |

13. Mr. Lyttelton understands the arrangement which has been agreed upon between himself and the Chancellor of the Exchequer to be as follows:—

- A. 1. The War Office railway claim to be reduced to 500,000*l.* and paid.
2. The War Office claim for animals, store, etc., supplied to the Repatriation Departments to be reduced in respect of animals unfit for use when sold to the sum of 757,000*l.*
3. and 4. Both these claims to be withdrawn.
5. and 6. Both these claims to be met from the funds of the new Colonies.
7. The view of the Treasury and the War Office to be accepted with regard to this claim.
- B. 1. and 2. Both these claims to be paid in full from the funds of the Central South African Railways, subject to verification locally as to the latter.
14. The new Colonies will therefore pay to his Majesty's Government—

| | £. | s. | d. |
|------------|-----------|----|----|
| Under A 1. | 500,000 | 0 | 0 |
| " A 2. | 757,000 | 0 | 0 |
| " A 5. | 14,000 | 0 | 0 |
| " A 6. | 4,832 | 13 | 5 |
| " B 1. | 110,000 | 0 | 0 |
| " B 2. | 19,323 | 4 | 2 |
| Total | 1,405,155 | 17 | 7 |

and in addition such sum as they may be found to be liable for under A 7.

15. In consideration of these payments all other claims whatsoever which His Majesty's Government may have against the funds of the new Colonies will be abandoned.

16. On learning that the Lords Commissioners of the Treasury agree to the arrangement set forth in this letter Mr. Lyttelton will give instructions for making the payments of 500,000*l.* and 757,000*l.* to His Majesty's Government at once—and the remaining payments as soon as Lord Milner has considered the sources from which they are to be defrayed.

I am, etc.,
(signed) H. Bertram Cox.

Copy. 21716/04.

Treasury Chambers, 14 January 1905.

Sir,

I HAVE laid before the Lords Commissioners of His Majesty's Treasury Mr. Cox's letter of the 22nd ultimo (42495/1904), in which Mr. Secretary Lyttelton proposed that all outstanding claims between His Majesty's Government and the Transvaal and Orange River Colonies should be settled by a payment to the Exchequer of a net sum of 1,405,155*l.* 17*s.* 7*d.*, plus a proportion of a sum of 42,746*l.* 11*s.* 7*d.* for South African Constabulary and Civil Administration expenditure representing the amount incurred before 31 March 1901 but not brought to account till after that date.

In reply I am to express their Lordships' satisfaction that a general settlement of this long outstanding matter has now been proposed, and their appreciation of Mr. Lyttelton's readiness to admit the War Office claim of 110,000*l.* for traction engines supplied to the Central South African Railways which had not been notified to this Department when the matter was under discussion semi-officially. They have only one observation to make as to the details of the arrangement—viz.: that the War Office claim in respect of the Transvaal Civil Administration expenditure should cover not only the disputed amount of 4,832*l.* 13*s.* 5*d.* but also the undisputed sum of 2,181*l.* 8*s.* 6*d.* Provided that the total payment by the Colonies is increased by this latter sum, they accept the proposal submitted as a full settlement of all claims—subject, of course, to an understanding that it will not affect the liability of the Transvaal to make the contribution of 30,000,000*l.* towards the expenses of the war, of which the subscription of the first third was guaranteed, or prejudice the payment of any analogous contribution by the Orange River Colony (cf. 3 Edw. 7, cap 27, § 2).

I am to request that payment may be made by the Crown Agents direct to the National Debt Commissioners.

I am, etc.,
(signed) E. W. Hamilton.

The Under Secretary of State, Colonial Office.

03.

2 %

Copy. 21716-94.

Treasury Chambers, 14 January 1905.

Sir,

WITH reference to previous correspondence I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you herewith a copy of a Colonial Office letter dated the 22nd ultimo, and of a reply from this Department of even date, from which the Army Council will observe that My Lords have now arrived at a general settlement with Mr. Secretary Lyttelton relative to the outstanding claims between His Majesty's Government and the Transvaal and Orange River Colonies.

The results of the settlement may be briefly summarised as follows:—

(1) The claim in respect of the Central South African Railways has been compounded for 500,000*l.*, as originally suggested by the Colonial Office.

(2) The claim for animals, stores, etc., supplied by the War Office to the Repatriation Departments has been reduced from 926,822*l.* 6*s.* 1*d.* (to take the Colonial Office figure) to 757,000*l.*

(3) With the exception of the claims for the balance of the debt of the late South African Government to His Majesty's Government (126,432*l.*) and for rations and equipment supplied to Burghers on leaving the Refugee Camps (126,000*l.*), which are abandoned, the remaining claims of His Majesty's Government have practically been admitted, including the claim for traction engines taken over from the Army at the end of the War (110,000*l.*) which was omitted in the list of claims against the South African Colonies furnished to the Treasury semi-officially on behalf of the War Office on 30th November 1904.

I am to add that My Lords propose that the whole of the sums to be paid by the Colonies should be devoted to the extinction of temporary debt, and that they are accordingly requesting that payment should be made by the Crown Agents direct to the National Debt Commissioners.

I am, etc.
(signed) *E. W. Hamilton.*

The Secretary, War Office.

Copy. 21716-04.

Treasury Chambers, 14 January 1905.

My Lords and Gentlemen,

WITH reference to recent semi-official communications I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you herewith a copy of a letter of even date which they have caused to be addressed to the Colonial Office relative to the settlement of all outstanding claims of His Majesty's Government against the Transvaal and Orange River Colonies. You will see that His Majesty's Government is prepared to accept about 1,445,000*l.* as a final settlement of those claims.

Mr. Secretary Lyttelton has undertaken to give directions that the bulk of the money shall be paid at once, and My Lords have requested that payment should be made by the Crown Agents direct to your Board.

My Lords think that it is most desirable that the whole of these payments should be applied towards the discharge of debt created during the late war; and they hope that regard being had to the procedure indicated by the Act 2 Edward VII, c. 27, § 2, you may feel justified in applying the money in repayment of the Bonds and Bills which have taken the place of those Bonds and Bills specially named in the Act as falling due during the financial year ending the 31st March 1904.

I am, etc.
(signed) *E. W. Hamilton.*

The National Debt Commissioners.

Copy. 079-1441 (F.1.)

War Office, London, S.W. 25 January 1905.

Sir,

I AM commanded by the Army Council to acknowledge the receipt of Treasury letter No. 21716-04 of the 14th instant, respecting the settlement which has been arrived at between their Lordships and the Secretary of State for the Colonies as to the outstanding claims of His Majesty's Government against the Transvaal and Orange River Colonies.

The Council note that the claim in respect of the Central South African Railways has been compounded for 500,000*l.*; that the claim for animals, stores, etc., supplied to the Repatriation Departments, has been reduced to 757,000*l.*; and that the remaining claims of this Department (with the exception of that for rations and equipment supplied to burghers on leaving concentration camps, which has been withdrawn) have been practically admitted.

With regard, however, to the proposal in the last paragraph of the letter under reply that the whole of the sums to be paid by the Colonies in respect of these claims should be paid over to the National Debt Commissioners, I am to request that you will be good enough to bring the following facts to the notice of their Lordships:—

(1) Certain expenditure, included in the claims of this Department (with the exception of that for rations and equipment supplied to burghers on leaving concentration camps, which has been withdrawn) has been practically admitted on behalf of the Colonies, and was therefore debited to Suspense Accounts with a view to its ultimate recovery outside Army Votes. Unless the credit in respect of these items is given this Department, it will be necessary to charge the amounts against Army Votes in order to clear the books of this office.

This observation applies to the following items:—

| | £ | s. | d. |
|--|----------------|----------|----------|
| (i.) Claim in respect of Transvaal Civil Administrations expenditure (item A (6) of Colonial Office letter of 22/12/1904) | 4,832 | 13 | 5 |
| (ii.) Claim in respect of South African Constabulary, etc. (item A (7) of Colonial Office letter) | 42,746 | 11 | 7 |
| (iii.) Claim for stores, etc., supplied to Central South African Railways after 1 July 1902 (item B (2) in Colonial Office letter) | 11,323 | 4 | 2 |
| | <u>£68,902</u> | <u>9</u> | <u>2</u> |

(2) Advances were made by the Crown Agents to cover expenditure from Army Funds on South African Constabulary and Civil Administration services, and these advances exceeded the expenditure actually incurred (including items (i.) and (ii.) under (1) above) by about 78,000*l.* It would clearly not have been proper to refund this balance to the Colonies, while there existed such a heavy claim against them in respect of sales to the Repatriation Department, etc.; and it has therefore always been treated as a set-off against that claim (see, e.g., War Office letter 079/780 A of 18 December 1903, to Colonial Office, of which a copy was sent the Treasury on the 22nd idem) and as available for credit to Army Votes.

This extra receipt has been counted on to meet excess expenditure during the current year, and unless the sum in question, as well as the 66,902*l.* 9*s.* 2*d.* under (1.), is credited to this Department the Council will be compelled to ask for a nett supplementary Army Vote (exclusive of Somaliland Expenditure) for about 145,000*l.*

I am therefore to express the hope that their Lordships will be able to modify the proposed arrangements in this respect.

I am to add that the sum due from the Colonies in respect of the South African Constabulary transactions has not yet been finally settled, as there are still a few minor items which are the subject of inquiry; but it is presumed that in view of the proviso in paragraph 15 of the Colonial Office letter of 22 December, no further claims can be made on the Colonies on this account.

With regard to the sum of 110,000*l.* in respect of Traction Engines, etc., taken over by the Colonies, I am to point out that their Lordships are under a misapprehension in supposing that this item was omitted from the list of claims furnished to them semi-officially from this Department on 30 November last. It was in fact included in the nett sum of 790,000*l.* forming item (1) of that list, although, like the other individual items making up that amount, it was not separately specified.

I am, etc.,
(signed) *E. W. D. Ward.*

The Secretary, The Treasury.

Copy. 1396/1905.

Downing Street, 26 January 1905.

Sir,

I AM directed by Mr. Secretary Lyttelton to acknowledge the receipt of your letter (21716/1904) of the 14th instant on the subject of the settlement of the outstanding claims between His Majesty's Government and the Governments of the Transvaal and Orange River Colony.

2. Mr. Lyttelton is glad to learn that their Lordships agree to the settlement set forth in the letter from this Department of the 22nd instant and has instructed the Crown Agents for the Colonies to pay to the National Debt Commissioners the sum of 1,257,000*l.* in settlement of the claims on account of the railways and the animals and stores supplied to the Repatriation Department.

3. In reply to the second paragraph of your letter I am to transmit to you the accompanying copy of a despatch to the High Commissioner for South Africa dealing with the other items in the account. It will be observed that there is no intention of repudiating the payment of 2,181*l.* 8*s.* 6*d.*, being the undisputed portion of the War Office claim in respect of Transvaal Civil Administration. The total sum payable by the new Colonies is therefore increased by this amount.

4. It is of course understood that this settlement does not affect the liability of the Transvaal to pay a contribution of 30,000,000*l.* towards the expenses of the war or the contingent liability of the Orange River Colony to make an analogous contribution.

I am, etc.,
(signed) *Fred Graham.*

The Secretary to the Treasury.

Copy. 1628/05.

Treasury Chambers, 28 January 1905.

Sir,

ADVERTING to the letter from this Department of the 14th instant (21716/04), and in reply to Mr. Graham's letter of the 26th instant (1396/1905), I am directed by the Lords Commissioners of His Majesty's Treasury, to request you to lay before Mr. Secretary Lyttelton the accompanying extract from a letter from the War Office, dated the 25th instant, respecting the settlement of the outstanding claims between His Majesty's Government and the Governments of the Transvaal and Orange River Colony.

My Lords desire to meet the wishes of the Army Council in this matter, and they will be glad if Mr. Lyttelton will cause the sum of 145,000*l.* out of the total sum payable by the new Colonies to be transferred by the Crown Agents for the Colonies to the credit of Army Funds before 31 March next.

They request that the balance may then be paid to the National Debt Commissioners, to whom a copy of this letter is being forwarded.

I am, etc.,
(signed) *E. W. Mitchell*

The Under Secretary of State, Colonial Office.

Copy. 1628/05.

Treasury Chambers, 28 January 1905.

Sir,

IN accordance with the wishes of the Army Council expressed in your letter (079/1441 F.1) of the 25th instant the Lords Commissioners of His Majesty's Treasury have requested the Colonial Office to cause a sum of 145,000*l.* out of the total sum payable by the Transvaal and Orange River Colony in settlement of all outstanding claims to be transferred to the credit of Army Funds in the present financial year.

With reference to the penultimate paragraph of your letter. I am to add that the terms of the general settlement preclude a claim being preferred upon the new Colonies for the minor items to which reference is made.

I am, etc.,
(signed) *E. W. Hamilton.*

The Secretary, War Office.

Copy. 1628/05.

Treasury Chambers, 28 January 1905.

My Lords and Gentlemen,

ADVERTING to the letter from this Department of the 14th instant (21716/04), I am directed by the Lords Commissioners of His Majesty's Treasury to transmit to you, for your information, a copy of a letter which they have this day caused to be addressed to the Colonial Office reducing by 145,000*l.* the amount to be paid over to you by the Crown Agents for the Colonies for the discharge of debt, in connection with the settlement of the Transvaal and Orange River Colony claims.

I am, etc.,
(signed) *E. W. Hamilton.*

The National Debt Commissioners.

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Copy. 2990/1905.

Immediate.

Downing Street, 3 February 1905.

Sir,

I AM directed by Mr. Secretary Lyttelton to acknowledge the receipt of your letter (1628/65) of 28 January, asking that a sum of 145,000*l.* may be transferred to the credit of Army Funds in respect of the general settlement of accounts outstanding between His Majesty's Government and the Governments of the Transvaal and Orange River Colony.

To W. O.
20th Jan.

2. In reply, I am to transmit to you, to be laid before the Lords Commissioners of the Treasury, the accompanying copy of a letter which has been addressed to the War Office, asking for the repayment of the sum of 78,272*l.* 4*s.* 5*d.* which is referred to in the second paragraph of the extract from the War Office letter of 25 January which is enclosed in your letter under reply.

3. In the circumstances, I am to suggest that the sum of 145,000*l.* less 78,272*l.* 4*s.* 5*d.*, *i.e.*, 66,727*l.* 15*s.* 7*d.*, should be paid to Army Funds, and the sum of 1,257,000*l.* (see the C.O. letter of 26 January) less 145,000*l.* *i.e.* 1,112,000*l.* to the National Debt Commissioners.

4. If this arrangement meets with their Lordships' approval the necessary instructions will be given to the Crown Agents for the Colonies.

The Secretary to the Treasury.

I am, etc.,
(signed) *Fred Graham.*

Copy. 079/1456 (F.1)

War Office, London, S.W., 16 February 1905.

Sir,

REFERRING to your letter of 28th ultimo, No. 1628, on the subject of the general settlement of outstanding accounts with the Transvaal and Orange River Colony, I am commanded by the Army Council to send you, for the information of the Lords Commissioners of His Majesty's Treasury, the enclosed copies of a letter from the Colonial Office, dated 30th ultimo, and of the War Office reply thereto, showing the cash balance to be paid to this Department in respect of the 145,000*l.* assigned to Army Funds.

With reference to the last paragraph of the War Office reply, I am to request you to move their Lordships to inform the Council how far the settlement affected is to be regarded as final.

The Secretary to the Treasury.

I am etc.,
(signed) *E. W. D. Ward.*

Copy. 1631/1905.

Downing Street, 30 January 1905.

Sir,

I AM directed by Mr. Secretary Lyttelton to state that, as you are no doubt aware, he has arrived at a general settlement with the Treasury of the accounts outstanding between the Governments of the two new Colonies and His Majesty's Government.

2. As part of this general settlement it has been decided to accept the view taken in your letter (079/873. F. 1) of 17 May last, of the incidence of certain charges incurred before 31 March 1901, but not defrayed till after that date. The account set forth in your letter of 17 May is, therefore, admitted as correct, except that it should be amended by the inclusion of the later Civil Administration and Constabulary charges referred to in the 7th paragraph of your letter of 11 November last (079/1351) (F. 1).

3. I am accordingly to inquire whether the Army Council are prepared to pay the sum of 78,272*l.* 4*s.* 5*d.* which is admitted in the 8th paragraph of your letter of the 11th of November to be due from them, to the Crown Agents for the Colonies, for the credit of Transvaal funds, as soon as possible.

4. This payment, would, of course, be understood to be subject to re-adjustment later if the High Commissioner for South Africa should find himself unable to agree to the amounts of any of the items of the account.

The Secretary, War Office.

I am, etc.,
(signed) *Fred Graham.*

Copy. 079/1456. (F.1.)

War Office, London, S.W. 8 February 1905.

Sir,

IN reply to Colonial Office letter No: 1631/1905 of 30th ultimo, on the subject of the general settlement of outstanding accounts with the new South African Colonies. I am commanded by the Army Council to acquaint you that they have been in communication with the Lords Commissioners of His Majesty's Treasury on the subject, and to forward the enclosed copy of a Treasury letter, dated 28th ultimo, from which it appears that your Department has been authorised to transfer to Army Funds 145,000*l.* out of the total sum agreed upon, instead of to the National Debt Commissioners.

Against this sum must be set the balance due to your Department in respect of Civil Administration and Constabulary charges.

This was given in War Office letter 079/1351 of 11 November last as 78,272*l.* 4*s.* 5*d.* the figures named in your letter now under reply. But that sum is the net sum due by this Department after charging the Colonies with the two sums of 4,832*l.* 13*s.* 5*d.* (included in the War Office statement of 17 May 1904, 079/873, in the sum of 7,296*l.* 11*s.* 7*d.*), and 42,746*l.* 11*s.* 7*d.* (*i.e.* 39,963*l.* 2*s.* 3*d.* in statement of 17 May plus 2,783*l.* 9*s.* 4*d.* subsequently added by letter of 11 November 1904).

The former of these two sums (but not the latter) is included in the total of 1,405,155*l.* 17*s.* 7*d.* mentioned in paragraph 14 of Colonial Office letter of 22 December 1904 to the Treasury. If, therefore, your Department pays 1,302,902*l.* 9*s.* 2*d.* (as shewn on enclosed statement) to the National Debt Commissioners and 19,148*l.* 10*s.* 7*d.* to this Department, the account will be closed, and the liability of the Colonies for the sum of 42,746*l.* 11*s.* 7*d.* will have been discharged in full.

With reference, however, to the last paragraph of your letter, stipulating that these payments should be subject to further adjustment hereafter, if the High Commissioner should find himself unable to agree to the amounts of any of the items, I am to state that the Council had understood the settlement arrived at to be a full and final settlement of the accounts in question, and are on that ground abandoning certain further claims, as indicated by the last paragraph of the Treasury letter of 28th, ultimo herein enclosed. But they can only refer this point to the Treasury, by whom the settlement was arranged, and are forwarding to that Department a copy of this letter accordingly

The Under Secretary of State, Colonial Office.

I am, etc.,
(signed) *E. W. D. Ward.*

Copy 079/1456 (F. 1.)

War Office, London, S.W., 25 February 1905.

Sir,

WITH reference to your letter No. 1628 of the 28th ultimo, I am commanded by the Army Council to request you to cause them to be informed whether the general settlement arrived at with the Colonial Office in regard to outstanding claims against the Transvaal and Orange River Colony is to be regarded as covering claims the validity of which was admitted by those Colonies prior to the conclusion of the settlement.

A case in point has arisen in connection with an adjustment with the Orange River Colony Repatriation Department.

Supplies to the value of 1,928*l.* 5*s.* 9*d.* were issued from Army Store to the Repatriation Department, which subsequently accepted a charge for 251*l.* 1*s.* 3*d.* but could not trace receipt of the remainder of the supplies. The receipts for this latter portion having been lost, the amount (1,677*l.* 4*s.* 6*d.*), was, after much correspondence, written off locally. At the request of this Office, the General Officer Commanding made further inquiry into the matter, with the result that, on the 28 November last, the Director, Government Relief Department, Orange River Colony, accepted the charge in dispute.

The Army Council desire to bring this case to their Lordships' notice in connection with the question of finality of settlement raised in War Office letter of this number dated 16th instant.

I am, etc.,
(signed) *E. W. D. Ward.*

The Secretary, the Treasury.

Copy. 3252/05.

Treasury Chambers, 4 March 1905.

Sir,

THE Lords Commissioners of His Majesty's Treasury have had before them Mr. Graham's letter (2990/1905), of the 3rd ultimo, further respecting the general settlement of accounts outstanding between His Majesty's Government and the Governments of the Transvaal and Orange River Colony. They have also received from the War Office a copy of the letter addressed to you by that Department on the 8th ultimo.

I am to request that you will move Mr. Secretary Lyttelton to cause (i) the net sum of 19,148*l.* 10*s.* 7*d.* (*i.e.* 145,000*l.* less 125,851*l.* 9*s.* 5*d.* due by War Office) to be paid over to the War Office as proposed by the Army Council, and (ii) the net sum of 1,112,000*l.* (*i.e.* 1,257,000*l.* less the above sum of 145,000*l.*) to be paid to the National Debt Commissioners as proposed in Mr. Graham's letter under reply.

| | £ | s. | d. |
|--|------------|----|----|
| The above instalments amounting together to - - - - - | 1,131,148 | 10 | 7 |
| Supplemented by the War Office liability (as above) of - - - - - | 125,851 | 9 | 5 |
| Will thus represent a total Colonial payment of - - - - - | 1,257,000 | 0 | 0 |
| Leaving an unpaid balance of - - - - - | 148,155 | 17 | 7 |
| Out of the agreed total of - - - - - | 1,405,155 | 17 | 7 |
| To which unpaid balance has to be added the further sum of - - - - - | 42,746 | 11 | 7 |
| (referred to in paragraphs 8 and 14 of Mr. Cox's letter of 22 December last) | £1,447,902 | 9 | 2 |

My Lords understand that the above settlement represents a final settlement between the Secretary of State and this Board, subject only to the verification of certain figures by the local authorities. They will be glad to receive an assurance that this view commends itself to Mr. Lyttelton, and that he also agrees with their Lordships that it will not affect other War Office claims in course of local adjustment in South Africa, the validity of which was admitted by the new Colonies before the recent settlement was reached.

A copy of a War Office letter of the 25th ultimo is enclosed as showing the scope of the latter class of claims.

I am, etc.,
(signed) *E. W. Hamilton.*

The Under Secretary of State, Colonial Office.

Copy. 7129/1905.

Downing Street, 17 March 1905.

Sir,

I AM directed by Mr. Secretary Lyttelton to acknowledge the receipt of your letter (3252/1905) of the 4th instant, and in reply to inform you that the Crown Agents for the Colonies have been instructed to pay the sum of 19,148*l.* 10*s.* 7*d.* to the War Office and the sum of 1,112,000*l.* to the Commissioners of the National Debt in accordance with the request of the Lords Commissioners of the Treasury.

2. Mr. Lyttelton accepts their Lordships' views as set forth in the last paragraph but one of your letter under reply,

I am, etc.,
(signed) *H. Bertram Cox.*

The Secretary to the Treasury.

APPENDIX No. 9.

PAPER handed in by Sir *Guy Fleetwood Wilson* 12 May 1905.

OFFICIAL HISTORY OF THE SOUTH AFRICAN WAR.

I.—TERMS ON WHICH LIEUTENANT-COLONEL HENDERSON WAS EMPLOYED.

Lieutenant-Colonel G. F. R. Henderson was originally appointed an Assistant-Adjutant-General at Headquarters, with pay at 800*l.* a year, from 28 August 1900, to revise certain official manuals and also to compile a history of the war. Nothing was settled as to the duration of his employment.

From 1 January 1901, a Militia Officer was appointed to assist him, at 10*s.* a day in addition to his regimental pay. Later on, four further officers (a Deputy-Assistant-Adjutant-General at 650*l.* a year, and three attached officers at 10*s.* a day in addition to regimental pay) were added to his staff. Colonel Henderson did not provide or pay his own staff.

II.—ARRANGEMENTS FOR THE PUBLICATION OF THE WORK.

In January 1901 Colonel Henderson suggested, in an interview with the Secretary of State, that the proposed History should be brought out "not as a Blue-book, but in the ordinary way," arguing that a large profit could thus be obtained for the Government. He understood the Secretary of State to authorise him to arrange for the publication of the work in this way; and in June 1901 he entered into an agreement with Messrs. Hurst and Blackett to this end.

This firm were to produce and publish the work (which was to be in six or seven volumes) at their own risk, and were to pay, subject to certain provisos, a royalty of 30 per cent. on the published price of each volume sold, with a guarantee of a minimum payment of 300*l.* a volume.

The War Office is advised that the absolute copyright of the work is in the Crown.

III.—TERMS OF EMPLOYMENT OF GENERAL SIR J. F. MAURICE.

On 5th March 1903 Colonel Henderson died, and General Maurice was elected to succeed him as historian of the war. A careful estimate was now obtained as to the probable date of completion of the work, and General Maurice held that with the staff then authorised (as detailed above) it might take as long as 28 years. In order to complete the work in about three years he asked for a staff costing about 11,500*l.* a year. This demand was considered excessive, but the Treasury ultimately approved of a sum of 6,000*l.* a year (in addition to his own salary of 800*l.* a year, together with retired pay of 700*l.*) being placed at his disposal for three years from 1st January 1904, provided that the first volume was produced shortly after that date, and the remaining six volumes at the rate of two a year. They also approved of the proposed staff being employed for the half-year preceding 1st January 1904, at a cost of about 3,350*l.*, including General Maurice's salary.

IV.—ALTERATION OF THE SCOPE OF THE WORK.

In the autumn of 1903 the proofs of the first volume (mainly the work of Colonel Henderson) were under the consideration of the Government; and it was decided in November that this volume was not suited to form part of an "official" history of the war. It was also decided that it would be better to confine the work strictly to an account of the facts relating to the war, instead of making it a book written for general circulation, and to interest ordinary readers.

This change in scope involved the reduction of the work from seven to four volumes; but it was not considered possible to reduce the approved staff on this account, as it would still be necessary to go through all the available material, and the work of selection would be rendered even more difficult. It of course became impossible to produce the first volume by January 8 1904; but General Maurice undertook to produce this volume in the course of 1904, and to complete the other three in three years from 1st January 1904.

In spite of the altered conditions, Messrs. Hurst and Blackett agreed to the continuance of their original agreement (see II. above), receiving 241*l.* 5*s.* as compensation for nugatory expenditure incurred on the old first volume, the type of which was broken up. The Treasury approved of these arrangements.

The non-appearance during 1904 of the new first volume is not due to General Maurice, but to unavoidable delay in the preparation of the necessary maps. General Maurice sees no reason to think that the completion of the whole work will be delayed beyond the agreed period of three years from 1st January 1904.

V.—COST.

The extra expenditure incurred for Staff, &c., in connection with the work prior to 1st July 1903 (the date from which General Maurice assumed the duties of historian) may be put at about 4,500*l.* (including the 241*l.* for compensation referred to above). Much valuable work in the way of collection and arrangement of materials, &c., was done during this period; but the part of the work actually completed by Colonel Henderson was of course rendered practically useless, in consequence of the decision referred to in IV. above.

The total estimated cost subsequent to that date is about 24,000*l.* This excludes the cost of maps, which will fall on Ordnance Survey Votes.

Payments received from the publishers by way of royalties will go to the credit of Stationery Office Votes.

Provision is specifically made for the "History of the War" staff in Army Estimates for 1904-5 and 1905-6. (Vote 13 A).

10 May 1905.

Guy Fleetwood Wilson.

APPENDIX, No. 10.

PAPER handed in by Mr. *T. Gibson Bowles*, M.P.

PARLIAMENTARY CONTROL—ACCOUNTING OFFICERS—MEMORANDUM.

The Public Accounts Committee has committed to it, by the Standing Order of the House, the duty of conducting "the examination of the Accounts showing the appropriation of the sums granted by Parliament to meet the public Expenditure."

In discharging this duty it is assisted by the Comptroller and Auditor General, an officer of the House of Commons, appointed under the Exchequer and Audit Act 1866, to whom the Act, by Sections 22 to 26, provides that the Appropriation Accounts shall be transmitted. It is his duty, as provided by Section 27 of the Act, to examine these Accounts "on behalf of the House of Commons," and to ascertain (1) whether the payments charged "are supported by vouchers or proofs of payment," and (2) "whether the money expended has been applied to the purpose, or purposes, for which such grant was intended to provide."

The Appropriation Accounts are rendered by an officer who at first was known as the "Accountant," but who since 1872 has been designated as the "Accounting Officer."

Thus the chain of accountability and responsibility is complete. The Accounting Officer renders the account; the Comptroller and Auditor General ascertains that the expenditure is duly vouched and has been properly applied, and the Committee of Public Accounts examines and reports to Parliament, which has provided the money for the expenditure and has appropriated it to specific purposes, that it has been duly expended as appropriated and not otherwise.

Parliament relies on the Public Accounts Committee. The Public Accounts Committee relies upon the Comptroller and Auditor General. The Comptroller and Auditor General relies upon the Appropriation Accounts; and the Appropriation Accounts must depend for their accuracy and completeness upon the Accounting Officer who renders them. If, therefore, anything be done to impair the accountability and the responsibility of the Accounting Officer, the Appropriation Accounts must be impaired, the performance of his duties by the Comptroller and Auditor General must be affected, the examination by the Public Accounts Committee is rendered inadequate; and the whole chain of responsibility, from the Expending Officer, through the Accounting Officer, the Comptroller and Auditor General, and the Public Accounts Committee, up to Parliament itself, is broken.

The Accounting Officer, who in the first instance renders the Appropriation Accounts, is an official of a great importance and a high responsibility, which it behoves the Public Accounts Committee to guard with great jealousy, since anything that impairs his accountability and responsibility must equally impair the performance of its duties by the Committee itself.

The Public Accounts Committee has accordingly always attached high importance to the Accounting Officer, and to his maintenance in such a position and such powers as are necessary to enable him duly and adequately to perform his functions. Repeated references to the subject are to be found in the Committee's Reports.

My Lords of the Treasury—among whom it is to be remembered is usually included the Prime Minister as First Lord, and always the Chancellor of the Exchequer as Second Lord—have shown no less anxiety on this subject, as is testified by many successive Treasury Minutes.

The Accounting Officer (as the Treasury Minute of August 14 1872 defines his duties) "signs the Appropriation Account, and thereby makes himself responsible for its correctness." He is the person whom "Parliament and the Treasury regard as primarily responsible for the balance in the custody of the Department, although he himself may not hold one farthing of it. In respect of him, any person having charge of any portion of the money issued to, or received on behalf of, the Department, is simply in the position of a Sub-Accounting Officer."

Responsibility for the proper conduct of financial business cannot be delegated to the subordinate officers in charge of the Departmental Accounts, for, as the same Treasury Minute declares, "the signature appended to the Appropriation Account would be otherwise an idle form calculated only to mislead Parliament." The Accounting

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Officer should occupy a standing to enable him not only to exercise a direct supervision and control over the persons executing the detailed business of account and book-keeping, but also to influence the working of his Department in all those respects which affect the method of its receipts or expenditure. He also must be qualified to represent his Department before the Parliamentary Committee of Public Accounts.

The Accounting Officer is invested with the very serious responsibility described in the Treasury Minute of 1882. If desired by his superior officer to order a payment which he believes to be wrong, it is his duty to represent his objection and the reason for it "to such superior order in writing. If the order is then repeated in writing, he may obey without further responsibility. But if the officer directing the payment is not the supreme chief of the Department, he should ask to obtain the authority in writing of such chief before obeying. The responsibility is then transferred to the directing officer, who will be held personally liable."

The duties of the Accounting Officer are such as in the opinion of the Treasury can only be performed by himself, and could not be adequately performed even by the Parliamentary chiefs who, in the official hierarchy, are his superiors. Thus the Treasury Minute of August 1872 says:—"In some instances the accounts have hitherto been rendered by the Parliamentary Chiefs of Departments, but my Lords do not consider that the continuance of that practice would be expedient. The temporary character of their tenure of office, and the burden of their Parliamentary in addition to their strictly executive duties, unfit them, in the opinion of my Lords, for a real and satisfactory performance of the duties connected with the rendering of the Appropriation Accounts."

The extent of the Accounting Officer's duties is indicated by the Treasury Minute of the 20th March 1876. In accepting the opinion of the Public Accounts Committee, that the then "present limited audit of Naval and Military Expenditure cannot be continued" (par. 27), and in prescribing a further extension of that audit, the Treasury laid it down that, in respect of Civil Service and Revenue Departments at least, there was imposed on the Comptroller and Auditor General "the duty of ascertaining that the accounts of all moneys provided by Parliament for the service of the year—(1) are supported by proper vouchers and are issued by proper authority; (2) are accurately computed; (3) are applied to the purposes for which Parliament voted the money; (4) are in accordance with Statute; (5) are in accordance with Treasury authority; (6) are in accordance with the formal regulations of the Department."

Thus the duty of the Comptroller and Auditor General is to ascertain that the accounts are properly vouched and properly computed; that the moneys voted by Parliament are applied to the purposes to which Parliament appropriated them, in accordance with existing Statutes, with Treasury authority, and with the regulations of the Department. And this, broadly speaking, is now the duty laid upon him with respect as well to Army and Navy Accounts and Expenditure as to Civil Service Accounts and Expenditure.

For the information which enables him to perform his duty in these respects, the Comptroller and Auditor General is dependent in the main on the information furnished to him by the Accounting Officer, supplemented by such questions as he may deem it necessary to address to that officer. The Accounting Officer is the person responsible to the Comptroller and Auditor General. He vouches the account. He vouches the statements made by his subordinates, or Sub Accounting Officers.

Bearing all this in mind, it would seem that the special Army Order of the 6th January 1905 has been framed in language which might appear to lead to the supposition that it is intended to over-ride, and does in fact over-ride and abolish, the settled system of accountability and of financial control now existing.

Thus, by Article 57 of that special Army Order, it prescribed that the Major-General or Brigadier "will see (a) that the money voted by Parliament is not expended without due authority; (b) is not deflected to other purposes than those contemplated by Parliament; (c) that the sums allocated to him under the various sub-heads of the votes shall not be deliberately exceeded; (d) that losses and unremunerative expenditure generally shall not be written off contrary to regulations. He [*i.e.* the Major-General] will sign a certificate to the above effect."

Passing by for the moment the misapprehension involved in the phrase "the sums allocated to him"—as though sums were allocated to Major-Generals, instead of being, as they are, appropriated to purposes—the language suggests that the effect of Article 57 would be to oust the present Accounting Officer for Army Expenditure; to make each Major-General his own Accounting Officer, and to authorise him, instead of the existing functionary, to "sign a certificate" that all proper requirements are duly complied with.

In paragraph 59 of the Army Order in question, it is indeed provided that the Major-General shall have with him "the chief Accountant of a command." This official is a subordinate of the Army Accounting Officer, and his proper designation is that of "Sub Accounting Officer." But the Army Order appears to contemplate that he shall be responsible, not to his superior, the principal Army Accounting Officer, but only or mainly to the Major-General. He is to be "upon the staff" of the Major-General and "will be under his orders"; and, while he is to correspond direct with "the principal Accountant at the War Office" on matters "relating to audit, the preparation of the Appropriation Account for Parliament, and technical questions of accounting," he is "on all other matters," to correspond with the War Office only "through the Major-General" himself. This would necessarily cause a confusing division of allegiance. It would directly tend to make the Sub Accounting Officer the subordinate, rather of the Major-General than of his own proper chief, and to divest him both of his duties, of his authority, and of his responsibility as Sub Accounting Officer.

Paragraph 61 of the Army Order in question seems to provide, moreover, that in case the Major-General should "order" the Sub-Accounting Officer "to make a payment or pass a charge which in the opinion of the latter [the

Sub Accounting Officer] is not authorised by regulation," even then the Sub Accounting Officer shall have no power himself to refer the question to the Chief Accounting Officer, nor apparently any power of raising the question in any shape. For the paragraph prescribes that "the question will be referred"—not by the Sub Accounting Officer—but "by the Major-General"—and not to the Chief Accounting Officer—but "to the Army Council."

This appears to suggest that the Accounting Officer and the Sub Accounting Officer as such are to be virtually suppressed, and virtually replaced by the Major-General.

The recommendations of the War Office (Reconstitution) Committee composed of Lord Fisher, Sir John A. Fisher, and Sir George S. Clarke, in its Report of 26th February 1904 and enclosures, seem, indeed, to have contemplated such a suppression and replacement. It deprecates "civilian control over military policy and administration" as a "serious evil." It declares that "when money is doled out in compartments and no discretion as to allocation is permitted, savings are not likely to accrue", it declares that the functions of civilians "should be limited to examination of estimated cost and expenditure," and demands "drastic reforms" and "a complete change of system." It calls for "the government of the Army by soldiers, which is the key-stone of the policy we have laid down," lays "stress upon the necessity of imposing financial powers and responsibilities upon military officers" and claims that "large powers must be conferred upon the Major-Generals commanding who within broad limits must decide all questions upon their own responsibility."

This language, taken together with that of the Army Order, might be understood to suggest a departure from the true constitutional conception of an Army, as an instrument for the protection of national independence and civil liberties, employed by a civilian Government deriving all its resources from civilian taxation and bound to account for its expenditure to the Parliament, representing the civilian tax-payers, which has provided and appropriated the money required for that expenditure. This would be a fundamental error.

It would seem, however, that the effect of the Army Order in question is not in fact to make changes so great and so far reaching as the language quoted from the three Articles cited would appear to suggest. For in reply to a question addressed to him on the 14th April 1904, the Secretary of State for War stated "the financial control of Parliament and the Treasury will remain unchanged. The Treasury, the Comptroller and Auditor General and the Public Accounts Committee will exercise the same powers as at present. . . . The Director of Army Finance will be the Accounting Officer for Army Expenditure. Neither the Major-Generals, nor the Army Council will have any power to defect moneys voted, from vote to vote, or sub-head to sub-head, without Treasury sanction."

The Treasury Minute of 30th November 1904 also deals with the same subject. My Lords advert to their Minutes of 1872, 1881, 1882 and 1883 with reference to the duties of Accounting Officers, and proceed as follows: "My Lords think it well to record that such devolution will not affect the personal responsibility of the Director of Army Finance, as Accounting Officer, for the whole expenditure contained in the Army Appropriation Account, and certified by him thereon not to have been incurred without authority superior to that of the War Department, in cases where such superior authority is required by the regulations. His officers will compose the Army Finance Department; and their power of allowing expenditure from Army moneys will be those delegated to them by him and will not be subject therein to authority other than his."

This being so, it is desirable in order to remove all doubt or misunderstanding, that it should be distinctly laid down and understood (1) that the responsibility as Accounting Officer still lies upon the Chief Accounting Officer of the Army; (2) that the authority over and the responsibility for all Sub Accounting Officers still belongs to him; (3) that no part of that authority or responsibility is intended to be or is removed from him and placed upon the Major-General, or Brigadier in charge as the case may be; and (4) that in all matters of account, and payment, whether matters in dispute or not, the Sub-Accounting Officer is still authorised to communicate directly with the Chief Accounting Officer of the Army.

17 May 1905

APPENDIX No. 11.

PAPER 3 handed in by Mr. *Robert Chalmers*, c.b., 26 May 1905.

1689/03.]

My Lord, Treasury Chambers, 31 January 1903
 In reply to Mr. Marzials' letter (Transvaal 2/17 F. 7.) of the 28th instant, relative to hut accommodation for the garrison in South Africa, I am directed by the Lords Commissioners of His Majesty's Treasury to request you to inform Mr. Secretary Brodrick that They sanction expenditure being incurred for this service in 1902/3 to an amount not exceeding 60,000*l.* over and above the provision of 280,000*l.* in Army Vote 10.

As regards the further question of providing out of the Military Works Loan for the erection of accessories including married quarters, the Secretary of State proposes to proceed forthwith with the erection of that number of married quarters and accessories which will be required at each station, even if the permanent garrison be limited to 12,000 men, including, however, married quarters for four Battalions of the Royal Garrison Regiment which (it is stated) will anyhow form a portion of the garrison. Pending the passing of a further Loan Bill next Session, it is proposed to find the necessary funds out of unexpended balances under the 1897 Loan Act.

While My Lords recognise that the settlement of the garrison question has recently advanced sufficiently to warrant them in contemplating some immediate expenditure on these loan services, they are unable to agree to any steps being taken before His Majesty's Government has settled the constitution and distribution of the South African Garrison which would commit the Secretary of State and this Board in advance to a policy which might not hereafter be deemed the most desirable; and accordingly they are averse from vesting the several General Officers Commanding with the general powers suggested. Before accessories, etc., can be begun, it is necessary that it should be decided by His Majesty's Government how many troops are to be stationed in each cantonment where huts have been erected; and before a scheme of expenditure can be begun, it is essential that the total cost of the scheme should be ascertained and approved. I am to request that a detailed estimate of the proposed expenditure at the several stations may be framed and communicated to this Board as soon as His Majesty's Government has decided the principles of the future garrison.

With reference to the proposal to station four Battalions of the Royal Garrison Regiment in South Africa I am to observe that so recently as the 7th instant it was proposed by the Secretary of State to include two only of these Battalions in the permanent garrison. No explanation of the suggested increase to four Battalions is given; and I am to inquire whether it is the intention to utilise four out of the existing five Battalions for this purpose, and, if so, what will be the extra cost involved (as compared with an ordinary Line Battalion) for (a) annual pay and allowances and (b) capital cost of quarters.

I am, etc.,
 (signed) *Francis Mowatt*.

The Financial Secretary, War Office.

[Transvaal 2/65. (F. 7.)]

Sir,

War Office, London, S.W., 21 March 1903.

With reference to previous correspondence relating to the permanent accommodation to be provided for the garrison in South Africa, I am directed by the Secretary of State for War to state, as their Lordships are aware, that the whole question has recently been the subject of personal discussion between the Chancellor of the Exchequer and the Secretary of State for War.

The general understanding arrived at was that, for the present at any rate, the force to be maintained in South Africa would consist of about 29,000 troops of all ranks (including departments and 2,000 men for Natal) as recommended by Mr. Chamberlain after consultation with Lord Milner and the Military authorities.

The distribution would be roughly as follows:—

| | |
|--|--------|
| Transvaal and Orange River Colonies | 20,000 |
| Cape Colony (including the garrison of the Naval base) | 7,000 |
| Natal | 2,000 |
| Total | 29,000 |

As regards Natal, as their Lordships are aware, the retention of an Imperial garrison is dependent on the willingness of the Colony to defray the extra cost of their upkeep as well as the provision of all necessary accommodation. Omitting Natal from consideration, this leaves a garrison of 27,000 for Cape Colony and the Transvaal and Orange River Colonies combined.

The question of accommodation, including married quarters, has become a very urgent matter, as most of the troops have been under canvas for upwards of three years, and separated from their families, despite the fact that hostilities terminated nearly ten months ago.

In these circumstances there is, not unnaturally, considerable discontent among the troops at the discomfort in which they are living, and Mr. Brodrick is strongly of opinion that it is imperative to remedy this state of things as soon as possible.

The position as regards accommodation is as follows in the different colonies:—

TRANSVAAL AND ORANGE RIVER COLONIES.

As stated in Mr. Chamberlain's telegram of January 10th to Lord Onslow, a copy of which has been communicated to your department, the main stations at which the troops will be quartered are:—

| --- | Approximate Number of Troops (excluding Departments). |
|-------------------------|---|
| Pretoria - - - - - | 4,000 |
| Potchefstroom - - - - - | 2,500 |
| Standerton - - - - - | 2,000 |
| Barberton - - - - - | 500 |
| Middelburg - - - - - | 2,000 |
| Bloemfontein - - - - - | 3,000 |
| Harrismith - - - - - | 3,000 |
| | ----- 17,000 |

Hutting for these, and the departmental details, is well advanced, out of moneys provided in the current and preceding years' estimates, but a considerable further expenditure is required for additional huts, drainage, water supply, roads, married quarters, hospitals, stabling, etc., in order to provide complete cantonments of a permanent character.

An estimate has now been received from General Lyttelton (copy of which is enclosed*) showing the full estimated cost as 2,071,800*l.*, of which it is anticipated that 364,500*l.* will have been expended by the 31st instant, leaving a further amount to be provided of 1,707,300*l.* on work of a permanent nature.

Mr. Brodrick is not, however, convinced that the whole of this expenditure is necessary on the scale proposed. After consultation with the Chancellor of the Exchequer, he has agreed that it should be possible to complete the hutting and provide married quarters for the full force, at a further cost of 1,400,000*l.* or 307,000*l.* less than General Lyttelton's estimate; this would include all accessories for 12,000 men, who may be regarded as the permanent portion of the garrison, it being left to General Lyttelton's discretion to provide only such accessories as are necessary for all numbers in excess of 12,000, on condition that the above money limit is not exceeded.

Mr. Brodrick has instructed General Lyttelton accordingly, and will be glad to receive Their Lordships' sanction.

In connection with the above estimate, however, I am to point out that it provides married quarters only on the scale allowed for ordinary Line Battalions.

As stated in previous correspondence, Mr. Brodrick proposes to station in the Transvaal and Orange River Colonies four Battalions of the Garrison Regiment, in lieu of four Line Battalions, as he considers it very desirable that they should form part of the Imperial garrison in that country.

In answer to the points raised in Treasury letter of 31 January last, 1889/03, I am to state that Mr. Brodrick, while always contemplating to send four garrison Battalions to South Africa, had in an earlier letter proposed only two, as he had thought that that number would be sufficient to make a trial. But now that it is decided to initiate a scheme of married quarters for a large force, it seems to him wise and economical to provide at once for the full number of garrison battalions.

In all probability the battalions for South Africa would in the first place be selected from the battalions now in the Mediterranean, and in the Secretary of State's instructions issued with Army Order 35 of 1903 men of the garrison regiments are required to serve in the South African command.

With regard to the question of relative cost asked by Their Lordships I am to point out that the additional cost as compared with a Line Battalion arises only out of the increased married establishment. As regards capital cost of quarters, it is calculated that the excess cost for four garrison battalions over four line battalions amounts to 385,000*l.* or 96,250*l.* per battalion, while the cost of provisions, fuel and light (at present prices), if the married families were with the troops in South Africa, would amount in the case of a garrison battalion to 14,500*l.* per annum as against 1,100*l.* for a line battalion.

As a set-off there would, however, be a saving of about 15,000*l.* per annum per battalion for separation allowance at present paid to the families of the garrison battalions now in this country.

It is to be borne in mind, however, that in the future the above estimates should be reduced as a result of the more stringent rules for the married establishment of the Royal Garrison Regiment laid down in the Army Order above referred to.

As General Lyttelton is pressing for a very early decision on the question whether garrison battalions are to be sent or not, as his programme of married quarters, drainage, water supply, etc., is thereby materially affected, Mr. Brodrick will be glad to receive Their Lordships' approval at the earliest possible date. If sanctioned, this would raise the capital cost from 1,400,000*l.* to (say) 1,800,000*l.* and Mr. Brodrick proposes to include this amount in the new Military Works Bill to be introduced during the present Session. The work is of such a permanent nature as to justify its provision on loan and not on estimates.

In the meantime he would propose to meet the necessary expenditure out of unexpended balances under the Military Works Act of 1897.

As regards Cape Colony, the garrison of the naval base is practically provided for, as there is hut accommodation for one line battalion at Wynberg and for the other at Simonstown, while quarters exist in the Castle at Cape Town for the two companies of Garrison Artillery and Departmental Details.

It has been strongly urged by Mr. Chamberlain, and supported by Lord Milner and the Military authorities, that the balance of the garrison required for Cape Colony should be stationed in some central cantonment on the line of railway in the northern part of the Colony. Such a site has been selected near Rosmead, and Their Lordships sanction to the purchase of the necessary land was conveyed in Treasury letter of the 14th instant, 4801/03.

The General Officer Commanding has not yet furnished an estimate of the cost of the necessary hutting, married quarters, etc., but has promised to do so at an early date. In order to meet the expense it is proposed to sell the Main barracks at Cape Town, which, while unfit for permanent quarters without a considerable outlay, are of great value and cover six acres in the best commercial position in the town.

* Printed at end of this Appendix.

General Settle states that if judiciously sold in the open market they should realise considerably more than 200,000*l.* As the Colonial Office, who have been semi-officially consulted, raise no objection, Mr. Brodrick will be glad if Their Lordships will approve the sale, it being understood that the proceeds are to cover the cost of any further expenditure in Cape Colony on accommodation of a permanent nature, with the result that the increased garrison will be provided for without net cost to the public.

As in the case of the purchase of land agreed to near Rosmead, it will be necessary to defray temporarily the sums required for hutting out of the Military Works Act of 1897, pending the realisation of funds by the sale of the Main barracks and the necessary ratification by the new Loan Bill.

I am to take the opportunity of stating that as soon as accommodation is available on the new site it is proposed to withdraw the troops (one battalion of Infantry) at present quartered at Grahamstown and King William's Town. The positions, strategically, are very undesirable. The barracks at King William's Town cannot be sold, as by deed they fall to the Colonial Government when no longer required by this Department. The barracks at Grahamstown fall to the Colonial Government, on payment of 6,000*l.*, and, in addition, a sum representing fair value for the barracks erected, which may be taken at 8,000*l.*

In conclusion I am to state that General Lyttelton will be instructed to carry out these large services as economically as possible and on the understanding that there is to be no excess over the total amount allotted to him, viz., 1,800,000*l.* for Transvaal, Orange River Colony and Cape Colony combined.

I am, etc.,
(signed) *Frank T. Marzials.*

The Secretary, the Treasury.

[5385/03.]

My Lord,

Treasury Chambers, 31 March 1903.

THE Lords Commissioners of His Majesty's Treasury have had before them Mr. Marzials' letter (Transvaal 2/65 F. 7) of the 21st instant, relative to the permanent accommodation to be provided for the garrison in South Africa; and in reply I am to request you to inform Mr. Secretary Brodrick that Their Lordships assent to an expenditure not exceeding 1,400,000*l.* (in addition to about 364,500*l.* expended to 31 March 1903) in completing the hutting and providing married quarters for the full force (17,000 excluding departments) in the Transvaal and Orange River Colonies, such expenditure to cover all accessories for 12,000 men and for such further numbers as may be found possible without excess of the limit of 1,400,000*l.* My Lords agree to the cost being met out of unexpended balances under the Military Works Acts 1897, pending the passing of a further Bill (to include the amount) in the present Session.

As regards Cape Colony, My Lords agree to the sale of the Main barracks at Cape Town, it being anticipated that the proceeds (estimated at considerably more than 200,000*l.*) will cover the cost of the further expenditure on hutting, etc., at Rosmead required for the Cape garrison. My Lords agree that, pending the passing of a new Loan Bill, the necessary funds should form a charge on the 1897 Loan, which will be credited with the proceeds of the foregoing sale and with the payments by the Colonial Government in respect of the existing barracks at Grahamstown and King William's Town, which will be surrendered as undesirable for continued occupation.

There remains the proposal to expend in the Transvaal and Orange River Colony a further sum of 400,000*l.* to provide the extra quarters which would be required for the higher married establishment of four battalions of the Royal Garrison Regiment in South Africa.

Regard being had both to the heavy capital expenditure involved and to the cost involved on current account in sending these battalions to South Africa, My Lords must decline to assent to this part of the Secretary of State's scheme.

I am, etc.,
(signed) *Francis Mowatt.*

The Financial Secretary, War Office.

Gen. No. 24/1047.

Sir,

War Office, London, S.W., 6 July 1903.

As the Lords Commissioners of His Majesty's Treasury are aware, it is proposed to introduce a Bill in Parliament during the present Session for a Loan of 5,000,000*l.* in continuation and extension of the Military Works Acts, 1897, 1899, and 1901, and I am directed by the Secretary of State for War to forward, for the information of Their Lordships, the following particulars respecting the services for which provision is to be made in the proposed Bill.

The amount to be taken in the Bill represents approximately two years' expenditure, and as regards Head 1 Defence Works, the provision will complete nearly all the requirements known to exist in 1901, but not provided for in that Bill, including the services under the Mowatt scheme referred to in recent correspondence with your department (Treasury letter of 19 December 1902, No. 19683/02). It will also provide for the execution of certain new services at Barrow, Dover, and Gibraltar.

The estimate for the defence works included in the Bill amounts to 700,000*l.*, but only 594,000*l.* is taken under that heading, as it is proposed to adjust the transfer of 106,000*l.* from Head 1 to Head 3, carried out under Treasury authority of 27 January 1899, No. 1108/99, by taking under the latter head 106,000*l.* more than is required for the new services now proposed to be executed. The provision of 590,000*l.* for the new services under Head 3 comprises 350,000*l.* for Artillery and rifle ranges, and for manœuvring grounds, and £240,000 for mobilisation accommodation and storehouses.

The amount 3,575,000*l.* taken under Head 2 for barracks in the Bill will provide, *inter alia*, for the erection of barracks for one regiment of Cavalry, three batteries of Royal Horse Artillery, and nine batteries of Royal Field Artillery at home, and for the completion of accommodation for a garrison of 25,000 men in South Africa. On the completion of these barracks at home, and of those for which money has already been provided in previous Acts, the whole of the Cavalry regiments, Artillery batteries, and battalions of Infantry which are to constitute the garrison of the United Kingdom on the assumption that a force of 25,000 men is maintained in South Africa will be housed.

The amount taken for barracks in the Bill of 1901 represented, as Their Lordships are aware, less than one-half of the requirements as then known. In the meanwhile fresh requirements have arisen in connection with the improvement of existing and provision of new educational establishments, and with the provision of accommodation for Mounted Infantry. The amounts taken in the Loan are intended to provide such a proportion of these establishments as are at present considered necessary; Mr. Brodrick feels also that it is necessary to provide funds for the erection of the Medical College in London which was urgently pressed for by the recent representative Committee and to improve existing military hospitals, many of which are at present far behind the requirements of modern medical science.

In addition to these services provision has to be made for housing the garrison in South Africa. This question has been for some time before Their Lordships, and the Treasury letter of 31 March last, No. 5385/03, approved an expenditure of 1,400,000*l.* to accommodate 20,000 men (excluding Cape Colony), and provide full accessories, etc.

for 12,000 men—as Their Lordships will observe, the amount now proposed for expenditure stands at 2,000,000*l.*, this total being arrived at as follows:—

| | |
|--|-----------|
| | £ |
| Estimate mentioned above - - - - - | 1,400,000 |
| Married quarters for four garrison regiments - - - - - | 400,000 |
| Required to complete accessories for the increased garrison- - - - - | 200,000 |
| | <hr/> |
| | 2,000,000 |
| Towards this there is available on the 1897 Act, for Cape Colony - - - - - | 134,000 |
| | <hr/> |
| Leaving to be provided - - - - - | 1,866,000 |
| | <hr/> |

The amount that will be realised by the sale of the Main barracks at Cape Town is not yet known, nor has the cost of providing accommodation for the garrison in Cape Colony been accurately worked out. It is anticipated, however, that about 400,000*l.* should be obtained from the sale of these barracks, and a gross sum of 2,250,000*l.* has therefore been shown in the Bill. Their Lordships will understand that the expenditure in Cape Colony will be strictly limited to the amount obtained by the disposal of the above-mentioned barracks.

This Bill, though completing provision for combatant units, will not complete Departmental Corps barracks to the full existing establishments, nor can all the necessary accessories be taken in hand in the next two years.

A sum of 135,000*l.* is taken under Head 4 for staff and contingencies.

Their Lordships are aware, from previous correspondence with this department (*see* Treasury letters No. 8392/02 of 26 May 1902, and No. 14742/02 of 19 September 1902), that considerable difficulty has been experienced in the working of the Acts of 1899 and 1901, owing to the form of the schedules. The Secretary of State accordingly proposes that the expenditure at home under Head 2 of both the present and previous Loans shall (except as regards the new items for Hospitals and Educational Establishments), be distributed by Army Corps Districts, and the expenditure abroad on three heads, *viz.* :—

- (1) South Africa.
- (2) Egypt, and
- (3) Naval Bases and Coaling Stations.

Mr. Brodrick would also propose that, with the view of diminishing the amount of the annual charges for repayment of principal, the annuities to be created in connection with this new Loan should be for a period of 30 years from the date of borrowing (instead of from the date of the Act of 1897), as in the case of the proposed Naval Works Bill.

The Secretary Treasury.

I am, &c.,
Frank T. Marzials.

11937/03.

Treasury Chambers, 15 July 1903.

My Lord,

In reply to Mr. Marzials' letter (Gen. No. 24/1047/F 7) of the 6th instant I am directed by the Lords Commissioners of His Majesty's Treasury to request you to inform the Secretary of State for War that the necessary instructions have been given to the Parliamentary Counsel to draft the proposed Military Works Bill.

1. My Lords agree that powers should be sought to allow the annuities to be created hereafter under the new Act to run for a term of 30 years from the date of borrowing instead of from 1897.

2. So far as Their Lordships are concerned, they offer no objection to the proposed re-arrangement of Head 2 (except as regards the new item for Hospitals and Educational Establishments) according to commands, with effect as if the schedules to the earlier Acts, 1897-1901, had been arranged in the same manner as the 1903 Schedule, and as if the sums allocated to works in those earlier Acts had been allocated as shown in the 1903 Schedule.

3. Their Lordships sanction the inclusion of a total sum of 5 millions in the new Bill as a further net provision of cash for military works.

4. Most of the specific items, as My Lords understand, have already been sanctioned and are continuation services in respect of which no increase of total estimate is involved. In some cases, however, the total estimate is apparently exceeded, and, if this be the case, I am to request that these items may be detailed and that explanations may be given of the excess in each case.

5. My Lords sanction the proposed gross provision of 2½ millions for the South African Garrison *less* 400,000*l.* in respect of the anticipated proceeds of sale of Cape barracks.

6. As regards other new services, I am to request that the Secretary of State will be so good as to submit particulars in each case, showing the total cost involved and also the provision proposed for each item.

7. I am further to request that the Secretary of State will indicate to this Board what is the complete War Office scheme of works which he has in contemplation. In 1899, as the House of Commons was informed by Command Paper C 9367, the complete War Office scheme required 6,900,000*l.* in all, towards which 4,000,000*l.* was provided by the Military Works Act, 1899. Further provision was made by the 1901 Act to the amount of 6,352,500*l.*, and an addition of 5,000,000*l.* is now to be made. My Lords desire to record their very strong opinion that there must be finality in the demands for these works on the Exchequer, and they trust to receive from the Secretary of State an assurance (such as has been given for naval works by the Lords' Commissioners of the Admiralty) that no new items will be admitted after 1903, and that accordingly a comparatively moderate sum will suffice to complete the provision for the scheme.

I am, &c.,
Arthur D. Elliot.

The Financial Secretary, War Office.

[Gen. No. 24/1048 (F.7).]

War Office, London, S.W., 23 July 1903.

Sir,

In reply to your letter of the 15th instant, No. 11937/03, on the subject of the Military Works Bill, I am directed by the Secretary of State for War to acquaint you that steps are being taken to furnish Their Lordships with the information desired.

In the meantime, I am to forward the enclosed copy of an addition to Clause 1 of the Bill which it has been deemed advisable to insert.

O.3.

I am further to inform you that the Secretary of State, in view of a report received from the Army Hospitals Committee as to the bad condition of hospitals, has found it necessary to increase the sum allotted to Hospitals and Educational Establishments in the Bill by 50,000*l.* An additional 20,000*l.* has also been provided in respect of Cape Colony.

As it has been found possible to increase the receipt from the sale of barracks by 100,000*l.*, the net total for Head 2 will remain unaltered. Mr. Brodrick trusts that Their Lordships will sanction these alterations.

I have, etc.,
(signed) *Frank T. Marzials.*

The Secretary to the Treasury.

MILITARY WORKS BILL.

PROPOSED ADDITION.

Clause 1, page 1, line 10, at the end of the line insert—"and, in addition to the sums so authorised, any sums, not exceeding in all 500,000*l.*, realised by the sale of any existing barracks which become unnecessary in consequence of those works shall also be applied towards defraying the cost of those works."

[12984/03.]

My Lord,

Treasury Chambers, 29 July 1903.

In reply to Mr. Marzials' letter (Gen. No. 24,1048/F 7.) of the 23rd instant, I am directed by the Lords Commissioners of His Majesty's Treasury to acquaint you, for the information of Mr. Secretary Brodrick, that they concur in the addition of 50,000*l.* in each case to the items providing for (i) Hospitals and Educational Establishments and (ii) Barracks in South Africa, under Head 2 of the Military Works Bill 1903—a corresponding addition of 100,000*l.* being made to the credit item, "Proceeds of sale of sundry Barracks."

My Lords note that steps are being taken to furnish this Board with the information requested in my letter of 15th instant; and they desire me to express again their earnest hope that the present Bill will practically close the War Office demands on the Exchequer for Loan services. Their Lordships understand that the five millions in the Bill will complete for practical purposes the housing of the combatant forces; and, if so, accessories and the housing of Departments, etc., might well be left to be provided from Army Vote 10.

I am, etc.,
(signed) *Arthur D. Elliot.*

The Financial Secretary, War Office.

ESTIMATED TOTAL COST OF CAMPONMENTS.

| | Pretoria. | Pietersburg. | Potchefstroom. | Standerton. | Middelburg. | Barberton. | Bloemfontein. | Harri-smith. | Additions necessary to Staats Artillery Barracks, Pretoria. | TOTAL | Pretoria. | Pietersburg. | Potchefstroom. | Standerton. |
|---|---|--------------|----------------|-------------|-------------|------------|---------------|--------------|---|--------------------------------|-----------|--------------|----------------|-------------|
| 1. Erecting Huts now available | 36,000 | 11,600 | 20,000 | 27,500 | 39,430 | 7,500 | 21,450 | 1,100 | 1,900 | 523,120 | | | | |
| 1. Providing and erecting additional Huts | 70,350 | 3,200 | 50,200 | 29,500 | 39,600 | 600 | 66,440 | 94,000 | 2,750 | | | | | |
| 2. Purchase of Land | — | — | — | 3,600 | — | — | 40,000 | 100 | — | 43,700 | | | | |
| 3. Drainage (a. Foul) | 18,000 | 1,000 | 10,000 | 10,000 | 4,000 | 100 | 10,000 | 8,000 | 7,000 | 68,100 | | | | |
| 3. Drainage (b. Surface) | 20,000 | 1,000 | 5,000 | 5,000 | 4,000 | 500 | 5,000 | 4,000 | — | 44,500 | | | | |
| 4. Water supply | 37,000 | 1,500 | 10,000 | 10,500 | 12,000 | 500 | 18,000 | 34,000 | 500 | 124,000 | | | | |
| 5. Roads, Parades, Trees, and Fencing | 22,000 | 1,200 | 6,000 | 5,000 | 7,000 | 1,800 | 10,500 | 7,000 | 2,000 | 62,500 | | | | |
| 6. Railway Sidings | 12,000 | — | 7,000 | — | 3,000 | — | 7,000 | — | — | 29,000 | | | | |
| 7. Electric Lighting | 60,000 | 5,000 | 25,000 | 20,000 | 20,000 | 5,000 | 35,000 | 20,000 | — | 200,000 | | | | |
| 8. Married Soldiers' Quarters: | | | | | | | | | | | | | | |
| "Q" Qrs. | 218 | 26 | 102 | 77 | 110 | 18 | 105 | 103 | 57 | 876 | | | | |
| "b" " " | 116 | 15 | 62 | 39 | 56 | 11 | 100 | 44 | 31 | 464 | 72,800 | 9,000 | 48,000 | 38,120 |
| "o" " " | 36 | 7 | 17 | 13 | 15 | 4 | 25 | 18 | 13 | 148 | 48,500 | 6,000 | 33,000 | 25,500 |
| W.O's " | 18 | — | 8 | 7 | 8 | 1 | 12 | 8 | 13 | 75 | | | | |
| | | | | | | | | | | 1,563 | | | | |
| 9. Hospitals | 31,000 | 3,600 | 16,800 | 11,700 | 13,400 | 3,300 | 22,400 | 13,000 | 250 | 115,450 | | | | |
| Beds | 300 | 62 | 210 | 150 | 150 | 40 | 280 | 163 | 2 | | | | | |
| 10. Stores from England | Included in the Estimate of individual items. | | | | | | | | | | | | | |
| 11. Stabling: | | | | | | | | | | | | | | |
| Horses | 1,739 | 269 | 1,326 | 700 | 900 | 26 | 1,415 | 862 | | 23,200 | 4,600 | 21,000 | 13,500 | 18,000 |
| Mules | 2,000 | 200 | 1,500 | 1,300 | 1,100 | 150 | 1,800 | 1,000 | | 4,000 | 800 | 2,500 | 1,700 | 1,700 |
| 12. Other Accessories:— | | | | | | | | | | | | | | |
| a. District Headquarter Offices | 2,000 | — | 1,500 | 1,200 | 1,500 | — | 2,000 | 1,200 | — | 9,400 | | | | |
| b. Post and Telegraph Offices | 1,000 | — | 1,000 | 1,000 | 1,000 | — | 1,500 | 1,000 | — | 6,500 | | | | |
| c. Churches | 6,000 | — | 3,000 | 4,000 | 7,000 | 1,000 | 4,500 | 3,000 | — | 28,500 | | | | |
| d. Schools | 3,500 | 1,000 | 1,000 | 1,000 | 1,500 | 700 | 1,800 | 1,500 | 750 | 13,350 | | | | |
| e. Gymnasium | 8,000 | — | 3,000 | 2,500 | 2,500 | — | 4,000 | 2,500 | 100 | 22,000 | | | | |
| f. Laundry | 1,500 | 700 | 900 | 800 | 800 | 200 | 800 | 800 | 700 | 7,200 | | | | |
| g. Canteen Stores and Mineral Water Factory | 10,000 | 1,200 | 1,800 | 2,000 | 2,300 | 1,200 | 3,600 | 1,800 | 1,000 | 24,900 | | | | |
| h. Garrison Institutes | 40,000 | 2,500 | 5,000 | 4,000 | 5,000 | — | 8,000 | 5,500 | — | 70,000 | | | | |
| i. Swimming Pond | 17,000 | — | 2,000 | — | — | — | 3,000 | — | — | 21,000 (Not included in total) | | | | |
| j. Military Prisons | 6,000 | — | 2,000 | 2,000 | 2,000 | — | 6,000 | — | — | 18,000 | | | | |
| k. Magazines | 3,000 | — | 3,000 | 3,000 | 3,000 | — | 3,000 | 3,000 | — | 18,000 | | | | |
| l. Rifle Ranges | 1,600 | 300 | 1,800 | 1,300 | 3,000 | 1,100 | 500 | 1,500 | — | 11,100 | 86,000 | | 60,000 | 48,000 |
| 13. a. G.O.C.'s Quarters | 15,000 | — | 3,500 | 2,500 | 2,500 | — | 8,000 | 2,500 | — | 34,000 | | | | |
| b. Married Officers' Bungalows | 28,930 | 2,520 | 16,180 | 9,500 | 13,000 | — | 23,000 | 10,900 | — | 104,000 | | | | |
| | | | | | including E | | | | | | | | | |
| 14. Ordnance Buildings | 18,000 | — | 1,400 | — | — | — | 10,000* | — | — | 29,400 | | | | |
| | 650,850 | 50,720 | 276,580 | 211,520 | 202,230 | 34,950 | 379,550 | 267,900 | 37,500 | 2,071,800 | | | | |

0.3

* Total estimated cost, 2,070,000*l.* exclusive of Huts and Bungalows supplied from England.

Expenditure in 1902-3 = 364,500*l.*

ESTIMATED EXPENDITURE 1902-3.

| Potchefstroom. | Standerton. | Middelburg. | Barberton. | Bloemfontein. | Harrismith. | Kimberley. | T. & O. R.C. General. | Distribution. | Total Expenditure Barracks, 1902-1903. | Total Estimated Requirements for 1903-4. | REMARKS. |
|----------------|-------------|-------------|------------|---------------|-------------|------------|-----------------------|---------------|--|--|---|
| | | | | | | | | | | | 1. These items should be kept under one head. They include replacing rotten material and parts deficient, painting, staining and varnishing. The erection and completion of Cook-houses, Ablution Booms, Latrines, Offices, R.E.A.S.C. and Regimental Stores and Shops, Forage Barns, Pharmacies. 2. Includes purchase of Fisher's Farm 14,000 <i>l.</i> and Boven Temple Farms 25,000 <i>l.</i> 3. Septic tank system. 4. Water obtained from catchment basin, springs and rivers in some cases by gravity, in others pumped to Reservoirs containing three days' supply. Supply at Pietersburg, Middelburg and Standerton not yet made out in detail (nothing extra included for upkeep first year). 5. Does not include any Treasury contribution in lieu of Municipal Rates on account of R.A. Barracks, Pretoria. 6. Initial cost, Pretoria Siding has been made but not paid for by R.E. Funds. 7. Probably over-estimated. 8. Requirements give quarters required for all men allowed to be on married roll (Home Establishment). For the present I recommend that only two-thirds of these be built, as possibly families may not wish to come to S.A. The amounts I propose to allot to Districts are given in <i>Italics</i> . 9. Beds provided for from 6½% to 8% of Garrisons. 10. 11. Rammed earth and gravel, floors to Troop Stables, cheap flooring to Officers' Stabling. It is proposed to accommodate Mules in stone Kraals with lean-to's around sides for feeding and for inclement weather and to keep Mules under cover at night during horse sickness season. 12. <i>b.</i> Provide buildings. Postmaster-General provides and maintains line and employees. <i>c.</i> An unconsecrated Protestant Church and Roman Catholic Chapel. <i>e.</i> Class of Gymnasia still under consideration. <i>g.</i> Services fairly chargeable to State. <i>h.</i> 40,000 <i>l.</i> for Pretoria was promised to Lord Kitchener from Field Forces Canteens Funds; it is unknown as yet to what extent S.A. Garrison Institute can contribute to other Stations. <i>i.</i> Swimming Ponds are desirable, but are not regarded as essential. Should there be a saving in the items, I would propose Swimming Ponds, Skittle Alleys, Squash Courts, Fives Courts, Racquet Courts, Drill Hall, Riding Schools, and Morris Tube Galleries which are not estimated for. <i>k.</i> Provides for Central Magazine S.A. and R.A. in each Station. |
| 60,000 | 48,000 | 62,000 | | 43,000 | 9,000 | 4,000 | 9,000 | 330,000 | 970,000 | | |
| | | | | | | | | 8,000 | 26,000 | | |
| | | | | | | | | 21,500 | 82,500 | | 13. <i>a.</i> G.O.C.'s Quarters must be provided for of rather larger design to the Class I. Bungalow sent out. They will always be an asset, as special clauses are inserted in the transfer of the land exempting them from the provisions that Buildings left standing on the ground should revert free to Civil Administration should ground be no longer required by military. It is understood that the last three items are to be dealt with as special items with separate grants. (*It is hoped to meet this amount by compensation for buildings surrendered to South African Constabulary. |
| | | | | | | | | 5,000 | 24,400 | | |
| | | | | | | | | 364,500 | 1,102,900** | | |

1902-3=364,500*l.*

** 18,000*l.* add for temporarily increased garrison. 1,120,000*l.* total estimated requirements for 1903-4.

3 B

APPENDIX No. 12.

PAPER handed in by Mr. C. A. King.

AMALGAMATION OF VOTES.

MEMORANDUM.

THE Postmaster-General, with the concurrence of the Treasury, proposes that in future the expenditure of the Post Office should be submitted to the House of Commons in one Estimate for the Post Office instead of three, viz. :—

| | | | | |
|--------|-----|-----|-----|-----------------------------|
| Vote 3 | ... | ... | ... | Post Office. |
| " 4 | ... | ... | ... | Post Office Packet Service. |
| " 5 | ... | ... | ... | Post Office Telegraphs. |

The principal reasons for the amalgamation are :—

The essential unity of the services administered by the Postmaster-General, and the consequent difficulty in separating for Estimate purposes the expenditure of the Department.

The difficulty involved by separation of Votes 3 and 4 is very striking at the present moment in the case of Mail Service to and from the West Indies. The estimated expenditure on this service to 31st March next is provided for under Subhead C. of the Post Office Packet Service Vote, but as the contract with the Royal Mail Steam Packet Company terminates on 30th instant, the mails will have to be forwarded under the Private Ship regulations, and the gratuities payable to the Commanders of the steamers will have to be charged to Subhead G. of the Post Office Vote. Thus, the money is provided in Vote 4, whereas the expense will fall on Vote 3, for which it was voted, because of the barrier between the Votes. A Supplementary Estimate may be necessary, and it is not in the power of the Postmaster-General or of the Treasury to apply this money to the purpose.

As regards Vote 5, it is to be observed that the pay of 85 per cent. of the staff of 190,000 persons in the employ of the Post Office has to be provided part in Vote 3 and part in Vote 5; in fact, from the Postmaster-General down to the junior Boy Messenger the *personnel* is common to the two services.

The second reason for the amalgamation is the economy of time both in the House of Commons and in the Department. Under present conditions all questions of pay of the Post Office staff have to be considered twice in the House of Commons, viz., on Vote 3 and on Vote 5; scarcely any payment of an appreciable sum on Common Service account can be made without a consideration of how it will affect not only the Post Office Vote but also the Telegraph Vote. More than 50 per cent. of the Telegraph Vote represents transfers of expenditure from the Post Office Vote, and if in any year there were to be an excess on the Post Office Vote it is most probable that the single underestimate would also cause an excess on the Telegraph Vote. Thus two Supplementary Estimates would have to be presented to the House of Commons.

The administration of three Votes gives rise to much more Departmental work than would the administration of one Vote, as all transactions with the Exchequer are trebled, involving unnecessary work in the Treasury, in the Exchequer and Audit Department, and in the Post Office.

The presentation of the Post Office Votes in the manner proposed would not withdraw from sight any item at present submitted to the members of the House of Commons, or to the Public Accounts Committee. On the contrary, by placing all proposed items of expenditure, whether Postal, Telegraph or Packet Service, in juxtaposition it would afford a much readier means of comparison between item and item than now exists where each vote is disposed of separately.

Moreover, amalgamation of the three Votes on the lines proposed would not disturb in any way the Parliamentary Returns of Telegraph and Telephone expenditure, and the revenue of the Telegraph and Telephone service would continue to be paid into the Exchequer, and accounted for by the Post Office separately from Post Office Revenue, just as the revenue collected by the Inland Revenue Department is paid into the Exchequer under several heads although the whole expenditure of the Department is charged to one Vote.

I am, etc.,

(signed) C. A. King.

2 June 1905.

APPENDIX No. 13.

PAPER handed in by Mr. *Babington Smith*.

[4873/05.]

Sir
I AM directed by the Lords Commissioners of His Majesty's Treasury to transmit to you herewith copy of a letter dated the 10th ultimo which they have received from the Post Office, relative to the Postmaster General's proposal for an amalgamation of the three Post Office Votes.

Treasury Chambers, 29 April 1905.

I am to state that My Lords will be glad if the Committee will again take the subject into consideration.

I am, etc.,
(signed) *Victor Cavendish*.

The Chairman, Public Accounts Committee.

[COPY.—597672/04.]

Sir,
In reply to the enquiry contained in Treasury letter 21087/04 of the 22nd December last, I am directed by the Postmaster General to state, for the information of the Lords Commissioners of the Treasury, that he would be glad if his proposal for an amalgamation of the three Post Office Votes could be again brought before the Public Accounts Committee this Session.

(General Post Office, London, 10 March 1905.)

I am to enclose a copy of a memorandum which has been recently prepared by the Comptroller and Accountant General of the Post Office, setting forth the arguments in favour of such an amalgamation.

I am, etc.,
(signed) *H. Babington Smith*.

The Secretary, Treasury.

[COPY.]

MEMORANDUM of COMPTROLLER and ACCOUNTANT GENERAL on the proposed AMALGAMATION of the POST OFFICE VOTES.

ONE of the principal advantages is the economy of Parliamentary time without curtailing in any way the information placed before the House of Commons or the Public Accounts Committee. At present, three Estimates have to be considered each year by the House of Commons, although the services covered by the three Votes are essentially one; questions of the pay of the staff have to be considered twice in each session, because the salaries and wages of 85 per cent. of the staff of 190,000 persons are voted in two portions—(a) in the Post Office Estimates and (b) in the Telegraph Estimates; the cost of the conveyance of mails is also included partly in the Post Office Vote and partly in the Packet Vote; the cost of sites and the rentals of premises are shared between the Post Office Vote and the Telegraph Vote; from the Postmaster General to the junior Boy Messenger who delivers telegrams and express letters the *personnel* is common to the two services; and the essential unity of administration under the Postmaster General (as stated in Treasury letter of 9 March 1904) appears to justify the proposal.

The second important advantage to be gained by the amalgamation is the economy of Departmental time. Under present conditions, scarcely any payment of an appreciable sum on Common Service account can be made without a consideration of how it will affect not only the Post Office Vote but also the Telegraph Vote. More than 50 per cent. of the Telegraph Vote represents transfers of expenditure from the Post Office Vote, and if in any year there were to be an excess of the Post Office Vote it is most probable that the single underestimate would also cause an excess on the Telegraph Vote. Thus two Supplementary Estimates would have to be presented to the House of Commons.

The administration of three Votes gives rise to much more Departmental work than would the Administration of one Vote, as all transactions with the Exchequer are trebled, involving unnecessary work in the Treasury, in the Exchequer and Audit Department, and in the Post Office.

The presentation of the Post Office Votes in the manner proposed would not withdraw from sight any item at present submitted to the members of the House of Commons or the Public Accounts Committee. On the contrary, by placing all proposed items of expenditure, whether Postal, Telegraph or Packet Service, in juxtaposition it would afford a much readier means of comparison between item and item than now exists where each Vote is disposed of separately.

Moreover, amalgamation of the three Votes on the lines proposed would not disturb in any way the Parliamentary Returns of Telegraph and Telephone Expenditure, and the revenue of the Telegraph and Telephone Service would continue to be paid into the Exchequer, and accounted for by the Post Office separately from Post Office Revenue, just as the revenue collected by the Inland Revenue Department is paid in under several heads although the whole expenditure of the Department is charged to one Vote.

A specimen of the amalgamated Estimate for the year to 31 March 1906 is enclosed in triplicate.

(signed) *C. A. King*.

6 March 1905.

Estimate of the amount required in the year ending 31 March 1906 to defray the salaries and expenses of the Post Office Services, the expenses of Post Office Savings Banks, and Government Annuities and Insurances, and the Collection of the Post Office Revenue.

Sixteen million two hundred and seventy-four thousand eight hundred and seventy-five pounds.

Sub-heads under which the Vote will be accounted for by the Post Office.

| SUMMARY. | 1905-6. |
|---|-------------|
| | £. |
| A.—Chief Offices | 2,866,800 |
| B.—Circulation Office (London), &c. | 1,040,500 |
| C.—Provincial Establishments | 6,789,818 |
| D.—British Post Office Agents Abroad | 6,780 |
| E.—Post Office Savings Banks (Net) | 15 |
| F.—Government Annuities and Life Insurances (Net) | 135 |
| G.—Conveyance of Mails | 1,928,115 |
| H.—Purchase of Sites, &c. | 85,000 |
| I.—Superannuations and other Non-effective Charges | 498,800 |
| K.—Manufacture of Stamps, &c. | 162,550 |
| GROSS TOTAL | £13,378,513 |
| <i>Deduct—</i> | |
| L.—Share of Expenses common to Postal and Telegraph Services, transferred to the Telegraph Sub-head W. | 2,457,700 |
| | 10,920,813 |
| <i>Deduct—</i> | |
| M.—Appropriations-in-Aid | 200,275 |
| NET TOTAL OF POSTAL SERVICES | £10,720,538 |
| N.—Post Office Packet Services (Gross Total) | 954,665 |
| <i>Deduct—</i> | |
| O.—Appropriations in Aid | 172,875 |
| NET TOTAL OF PACKET SERVICES | £781,790 |
| P.—Maintenance of the Postal Telegraph System | 1,064,400 |
| Q.—Telegraph Works | 675,352 |
| R.—Central Telegraph Office, London | 500,300 |
| S.—London Telegraph Service | 55,150 |
| T.—Railway Companies and Others for Transaction of Public Telegraph Business | 58,000 |
| U.—Manufacture of Stamps, &c. | 2,700 |
| V.—Purchase, &c., of Telegraph Engineering Stores | 22,000 |
| W.—Share of Expenses common to the Postal and Telegraph Services Transferred from the Postal Sub-head L | 2,457,700 |
| GROSS TOTAL | £4,835,602 |
| <i>Deduct—</i> | |
| X.—Appropriations-in-Aid | 63,055 |
| NET TOTAL OF TELEGRAPH SERVICES | £4,772,547 |
| GRAND TOTAL | £16,274,875 |

APPENDIX No. 14.

PAPER handed in by *Mr. C. A. King*.

MEMORANDUM.

The difficulty involved by separation of Votes 3 and 4 is very striking at the present moment in the case of Mail Service to and from the West Indies. The estimated expenditure on this service to 31st March next is provided for under Sub-head C of the Post Office Packet Service Vote, but as the contract with the Royal Mail Steam Packet Company terminates on 30th instant, the mails will have to be forwarded under the Private Ship Regulations, and the gratuities payable to the Commanders of the steamers will have to be charged to Sub-head G of the Post Office Vote. Thus, the money is provided in Vote 4, whereas the expense will fall on Vote 3, and it is not in the power of the Postmaster-General or of the Treasury to apply this money to the purpose for which it was voted, because of the barrier between the Votes. A Supplementary Estimate may be necessary.

Charles A King
Accounting Officer to the Post Office.

3 June 1905.

APPENDIX No. 15.

PAPER handed in by Mr. *Kemp*, C.B.

6 July 1905.

APPENDIX No. 15.

PAPER handed in by Mr. *Kempe*, C.B.

SCHEDULE OF QUERIES.—ADDRESSED BY THE COMPTROLLER AND AUDITOR-GENERAL TO THE WAR OFFICE DEALING WITH MATTERS REFERRED TO IN PARAGRAPHS 82-92 OF HIS REPORT ON THE ARMY ACCOUNT FOR 1903-04, AND CORRESPONDENCE RELATING THERETO.

QUERIES.

| No. | No. of Query. | Date on which sent by Exchequer and Audit Department. | SUBJECT. | Date of War Office Reply. | REMARKS. |
|-----|---------------|---|--|---|---|
| *1 | 361 1902-3 | 16 December 1903 | Details certain payments in February 1903 for Forage supplied by local contractors in January 1903, and compares the prices paid, with the much lower prices obtained, for Forage sold by Army to Repatriation Department, July to December 1902. | 18 March 1904 | See Army Report 1902-3, para. 82; discussion at Public Accounts Committee 23 June 1904, Qq. 3593-3601, and further Query, No. 80 (No. 7 below). |
| 2 | 367 1902-3 | 23 December 1903 | In connection with certain credits in February 1903, for supplies sold at less than advertised minimum rates, asks for a statement as to quantities of Surplus Supplies sold and prices realised, by (a) public tender, and (b) private treaty. | 13 July 1904 | See Army Report 1902-3, pars. 83-4, and discussion at Public Accounts Committee, 23 June 1904, Qq. 3602-3636. |
| *3 | 48 1903-4 | 8 March 1904 | Draws attention to sales of Sugar to Wilson and Worthington in February and March, 1903 at 18s. 6d. per 100 lbs., and purchases of Sugar from Meyer in March, 1903, at 24s. 9d. per 100 lbs. | 11 June 1904 | — |
| *4 | 49 | 8 March 1904 | Contrasts rates of sales to and purchases from E. Stepney, forage contractor, in April, 1903. | See War Office Letters of 24 Jan. 1905 and 22 June 1905 (Nos. 18 and 20). | See Army Report 1903-4, para. 84. |
| 5 | 50 | 8 March 1904 | In view of local contracts for forage in 1904-5 having been placed at rates 10 to 30 per cent. less than in 1903-4 enquires whether there were any special reasons obtaining for the high rates paid in the latter year. | 6 April 1904 | — |
| 6 | 51 | 8 March 1904 | As to payment of compensation for part cancellation of sale of forage, and as to payment of Customs duty on the amount of hay actually delivered. | 11 August 1904 | See Army Report, 1903-4, para. 90. |
| *7 | 80 | 23 April 1904 | In connection with reply to Query 361, suggests that the local purchases at much higher rates than those charged to Repatriation Department involved charges against Army funds which would have been saved by direct shipment of forage supplies from home. | 14 June 1904 | — |
| *8 | 96 | 30 April 1904 | Requests explanation of refund to Meyer of £21,232 17s. 9d. in May 1903. | 10 May 1904 | See Army Report, 1903-4, para. 85. |
| *9 | 143 | 2 June 1904 | Refund to E. Stepney of £1,671 19s. 6d. in July 1903. Contrasts rates charged to Stepney for forage sold to him at Krugersdorp in February 1903, "to enable him to carry out his contract," and the rates paid to him for supplies at the same station. | See War Office Letters of 24 Jan. 1905 and 22 June 1905 (Nos. 18 and 20) | See Army Report, 1903-4, para. 84. |
| *10 | 144 | 2 June 1904 | Requests explanation of rebate of £739 0s. 8d. in July 1903, to Wilson and Worthington on sale of biscuits "as decided by Board of 14.4.03" | 31 October 1904 | See further Query No. 270 (No. 16 below). |
| 11 | 146 | 2 June 1904 | Requests explanation of the payment in July 1903 of stout supplied in June and December 1901. | 26 August 1904 | See further Query No. 206 and Army Report, 1903-4, para. 92 (No. 12 below). |

| | | | | | | |
|----|-----|-------------------|-------|--|--|--|
| 12 | 206 | 30 September 1904 | - - - | With reference to reply to Query 146, details further similar cases relating to supplies in 1900 and 1901 and asks whether further information cannot be afforded as to the evidence obtained to show that (1) the supplies were delivered, and (2) that payments had not already been made. | See War Office letters of 24 January 1905 and 22 June 1905 (Nos. 18 and 20). | See Army Report, 1903-4, para. 92. |
| 13 | 208 | 7 October 1904 | - - - | As to recovery of certain travelling expenses apparently incurred through contractor's default (E. Stepney). | Ditto ditto. | |
| 14 | 243 | 24 October 1904 | - - - | Requests information as to the cost of railage from Maitland (Cape Colony) to the Transvaal, and Customs duty on hay sold to Wilson and Worthington. | 28 April 1905 | See Army Report, 1903-4, para. 86. |
| 15 | 248 | 26 October 1904 | - - - | Requests that the contracts entered into with Meyer (Limited), both as buyers from and sellers to the Army, may be furnished. | See War Office letters of 24 January 1905 and 22 June 1905 (Nos. 18 and 20) | See Army Report, 1903-4, para. 85. |
| 16 | 270 | 18 November 1904 | - - - | Requests that a copy of the <i>acceptance</i> of Wilson and Worthington's tender for purchase of biscuits may be furnished. (See Query 144, where the War Office furnished copy of <i>tender</i> only.) (No. 10.) | Ditto ditto. | See Army Report, 1903-4, para. 87. This Query has brought to light the fact that the acceptance was for <i>all</i> biscuits, whereas the tender was for <i>sound</i> biscuits in Pretoria at date. |
| 17 | 291 | 13 December 1904 | - - - | In continuation of Queries 146 and 206 draws attention to further payments in January 1904 for supplies in 1900 and 1901. | Ditto ditto. | See Army Report, 1903-4, para. 92. |

CORRESPONDENCE.

| No. | Date. | SUBJECT. |
|-----|-----------------------|---|
| 18 | 24 January 1905 - - - | Letter from War Office stating that certain Queries had been referred to a Committee for investigation and report. |
| 19 | 20 June 1905 - - - | Letter to War Office enquiring whether the Army Council were now in a position to furnish replies to outstanding Queries. |
| 20 | 22 June 1905 - - - | Letter from War Office, with replies to Queries 367/02-3, 146, 206, 208, 248, 270, 291, of 1903-4; Queries 361/1902-3, 48, 49, 80, 96, 143 and 144 of 1903-4 being still under investigation. |

* THE POINTS RAISED IN THESE QUERIES ARE STILL UNDER INVESTIGATION, AND THE REPLIES ALREADY SENT ARE TO BE REGARDED AS PROVISIONAL ONLY. (SEE WAR OFFICE LETTERS OF 24 JANUARY 1905 AND 22 JUNE 1905). (Nos. 18 AND 20.)

NOTE :- The transactions referred to in Queries Nos. 3, 4 and 15 are examples only of the system of local sales and purchases—in some cases from identical contractors and covering the same periods—resulting in increased charges to Army Votes. Except in the case of the specific refunds (numbers 8, 9, and 10), the Queries do not indicate the total amount involved, as to which it would be impossible for this Department to compile any statement.

QUERIES.

No. 1.

EXCHEQUER AND AUDIT DEPARTMENT QUERY, No. 361.

Pretoria Account.

February 1903.

Schedule 33. Vr. 7. £2,355 15s. 6d.
 " 8. 16,387 12s. 2d.
 " 9. 18,210 1s. 10d.
 " 11. 6,118 0s. 11d.
 " 15. 750 13s. 10d.
 " 17. 1,963 9s. 9d.

Include the following purchases of forage :—

HAY.

110,102 lbs at 15s. 5½d. per 100 lbs.
 864,300 .. 13s. 11½d. "
 10,902 .. 16s. 9d. "

OATS

140,060 lbs. at 15s. 8d. per 100 lbs.
 737,057 .. 17s. 11½d. "
 465,242 .. 17s. 10d. "
 396,034 .. 16s. 9d. "
 39,331 .. 20s. 9d. "

OAT HAY.

60,050 lbs. at 17s. 8½d. per 100 lbs.
 545,782 .. 18s. 0d. "

MEALIE MEAL.

24,427 lbs. at 13s. 9½d. per 100 lbs.
 70,722 .. 16s. 0½d. "
 26,244 .. 17s. 5d. "
 24,090 .. 19s. 9½d. "

BRAN.

56,828 lbs. at 14s. 3d. per 100 lbs.
 50,068 .. 13s. 8d. "
 19,492 .. 13s. 1d. "

MEALIES.

627,160 lbs. at 17s. 5d. per 100 lbs.

Exchequer and Audit Department,
 16 December 1903.

In view of these purchases, attention is drawn to the large sales of forage to the Repatriation Department during the period from July to December 1902, at the following rates :—

| | Trans-vaal. | O.R.C. | Natal. | Cape Colony |
|--------------------|-------------|--------|--------|-------------|
| | s. d. | s. d. | s. d. | s. d. |
| Hay - per 100 lbs. | 7 11 | 7 5 | 7 1 | 7 1 |
| Oats - " " | 9 6 | 9 0 | 8 8 | 8 8 |
| Oat Hay " " | 9 1 | 8 8 | 8 3 | 8 3 |
| Mealie Meal " " | 9 0 | 9 0 | — | 9 0 |
| Bran " " | 8 5 | 7 11 | 7 7 | 7 7 |
| Mealies " " | 8 6 | 8 6 | — | 8 6 |

(See War Office papers 079/99, etc.)

In consideration of the loss which appears to have been entailed on Army Funds by these transactions, it is requested that information may be furnished as to the circumstances under which the forage was disposed of, while further purchases were made at much higher rates.

Information is also requested whether any question arises as to a refund of Customs duty in connection with these local purchases.

WAR OFFICE REPLY.

The matter has been referred to the General Officer Commanding the Forces in South Africa, and on a reply being received in this Department a further communication will be addressed to you on the subject.

War Office, 28 January 1904.

FURTHER REPLY.

With reference to War Office reply of the 28 January last to Audit Query 361 of 1902-03, the Comptroller and Auditor-General is further informed that the rates charged for supplies issued to the Repatriation Department were made up as follows :—

Woolwich prices of supplies, plus 12½ per cent. Departmental expenses, plus average railway charges to each Colony.

No loss was, therefore, entailed on Army Funds as regards these particular transactions.

The prices paid for forage purchased from Messrs. Meyer, Ltd., and others, include Customs Duty. This, with the difference between Civil and Military Railway Rates, will be recovered from the Customs and Railway authorities respectively.

It is pointed out that by disposing of surplus stocks and entering into local contracts for the supplies it was possible to reduce the personnel of the Army Service Corps in South Africa, rents for storage were avoided, and the cost of distribution which had hitherto been a charge against the Army was borne by the Contractor.

War Office, 18 March 1904.

See also further query No. 80, (No. 7, page 6).

No. 2.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 367.

Pretoria, February 1903.

Appropriations in Aid.

Sale of Surplus Supplies.

Sch. 7. Vr. 3. 4,800 lbs. jam at 45s. per 100 lbs.
 Vr. 12. 9,600 lbs. jam at 45s. per 100 lbs.
 Vr. 25. 36,000 lbs. preserved meat at 33s. per 100 lbs. plus ¼th per cent.
 Vr. 30. 186,440 lbs. Coffee at 58s. 4d. per 100 lbs.

Exchequer and Audit Department,
 23 December 1903.

With reference to the above rates, attention is drawn to the minimum rates mentioned in Director of Supplies advertisement of September 1902. Information is requested (1) whether the above sales were made by public tender and (2) whether a statement can be furnished as to the quantities of Surplus Supplies sold by (a) public tender and (b) private treaty, together with the prices realised, and (3) whether Custom duties have been paid in respect of such sales.

It is noticed from War Office papers 53/Cape/8363 that the negotiations as to Surplus Supplies of Coffee, Biscuits, etc., being taken over by the Admiralty and India were not carried through.

WAR OFFICE REPLY.

The General Officer Commanding the Forces in South Africa has been requested to have a statement prepared on the lines indicated. On its receipt in this Office, it will be forwarded to your Department, together with the information asked for as to Customs Dues, etc.

War Office, S.W., 18 January 1904.

FURTHER REPLY.

With reference to War Office reply of 18 January last to Audit Query No. 367, the Comptroller and Auditor General is informed that the report of the General Officer Commanding, South Africa, is in 53 Cape 8920 which has been marked to his Department. The required statement for period to 31 December 1903 is also contained therein.

The further report promised by the General Officer Commanding in his letter of 22 February 1904 (in 53 Cape 8920) showing quantities of surplus supplies disposed of after 31 December 1903 will be furnished in due course.

War Office, 13 July 1904.

FURTHER REPLY.

Further Statements by the General Officer Commanding are now in 53 Cape 8920.
War Office, 22 June 1905.

(See also Query 243, No. 14, p. 9.)

No. 3.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 48.

Pretoria Account, April 1903.
Schedule 7. Voucher 22.
Appropriation-in-Aid. Supplies sold.
17,550 lbs. of Sugar from Supply Depot Machadadorp, February 1903, sold to Messrs. Wilson and Worthington at 18s. 6d. per 100 lbs.
Vr. 3. 18,920 lbs. Sugar from Supply Depot Middleburg (T.), sold to same Contractors at same rate.

With reference to the above sales attention is drawn to the following purchases of Sugar.
Schedule 32. Voucher 5 includes 15,605 lbs. of Sugar at 24s. 6d. per 100 lbs. taken on charge at Middleburg (Transvaal). Voucher 3 includes 18,325 lbs. of Sugar at 24s. 9d., taken on charge at Pretoria.
Explanation of these sales, and purchases at increased rates is requested.

Exchequer and Audit Department,
8 March 1904.

WAR OFFICE REPLY.

A copy of a report (see below), from the General Officer Commanding, South Africa, is enclosed. The advisability of selling surplus stocks at the close of a war, in order to avoid the expense of upkeep, and loss by deterioration is a matter of administration, and must be left largely to the judgment of the local authorities. There do not appear to be any grounds for questioning their discretion in this instance.

War Office, 11 June 1904.

(Enclosure.)

EXTRACT FROM A REPORT BY G.O.C.

Pretoria, 9 May 1904.

* * * * *
In order to facilitate the demobilisation of troops on the conclusion of hostilities orders were issued to dispose of, by sale or otherwise, all stocks of supplies over and above the reserve ordered to be maintained. The supplies sold to Messrs. Wilson and Worthington formed part of these surplus stocks, and the prices paid by them were the best then obtainable. Further, the supplies in question had been some considerable time in the country and had doubtless depreciated in value consequent on frequent and rough handlings and exposure to climate, etc.
The supplies purchased from Messrs. Meyer, Limited, were of undoubted quality, and were supplied under contract.

No. 4.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 49.

Pretoria Account, April 1903.
Appropriations-in-Aid, Vote 7.
Schedule 8. Vouchers 11, 12, 13, 14.
Schedule 32. Vouchers 8, 9, 10.
Cost of Forage.

In continuation of Query 361, 1902-3, attention is drawn to the following sales to and purchases from E. Stepney Forage Contractor, and in respect of which similar observations arise.

| SALES. | | | | PURCHASES. | | | |
|---------|-------------|-------------|----------------------|--------------------|--------------|-------------|--------------------------|
| Vr. 11. | 55,351 lbs. | Bran... | at 10s. per 100 lbs. | Schedule 32 Vr. 8. | 401,870 lbs. | Oat Hay ... | at 16s. 8d. per 100 lbs. |
| | 1,613,598 " | Hay ... | at 11s. " | Include | 200,934 " | Alfalfa ... | at 12s. 2d. " |
| | 741,575 " | Mealies ... | at 11s. " | | 371,064 " | Mealies ... | at 15s. 9d. " |
| | 29,325 " | Mealie Meal | at 11s. 6d. " | | 67,810 " | Bran ... | at 12s. 1d. " |
| Vr. 12. | 622,295 " | Hay ... | at 11s. " | | 28,321 " | Mealie Meal | at 15s. 9d. " |
| | 56,576 " | Bran ... | at 10s. " | Vr: 9. | 398,406 " | Oat Hay ... | at 18s. " |
| | 270,160 " | Mealies ... | at 11s. " | | 149,416 " | Alfalfa ... | at 13s. 7d. " |
| | 10,767 " | Mealie Meal | at 11s. 6d. " | | 36,784 " | Bran ... | at 13s. 6d. " |
| Vr. 13. | 31,976 " | Bran ... | at 10s. " | | 14,648 " | Mealies ... | at 17s. " |
| " 14. | 331,900 " | Hay ... | at 11s. " | Vr. 10. | 317,145 " | Oat Hay... | at 18s. " |
| | 18,020 " | Bran ... | at 10s. " | | 196,287 " | Alfalfa .. | at 13s. 7d. " |
| | 17,000 " | Mealie Meal | at 11s. 6d. " | | 131,168 " | Mealies ... | at 17s. " |
| | | | | | 36,300 " | Bran ... | at 13s. 6d. " |

Exchequer and Audit Department,
8 March 1904.

WAR OFFICE REPLY

See War Office Letters of 24/1/05 and 22/6/05.

(Nos. 18 and 20, pp. 10 and 11.)

0 3.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 50.

Purchases of forage in Transvaal and Orange River Colony.

With reference to the contract rates for forage in 1903-4, it appears from War Office Papers 53/Cape/8895, that contracts for 1904-5 have been placed at rates varying from 10 to 30 per cent. less than in 1903-4, e.g.

| | Alfalfa. | | Mealies. | | Mealie Meal. | | Oat Hay. | | Oats. | | Bran. | |
|--------------------|----------|-------|----------|----------------|--------------|----------------|----------|----------------|--------|-------|-------|-------|
| | 03-4 | 04-5 | 03-4 | 04-5 | 03-4 | 04-5 | 03-4 | 04-5 | 03-4 | 04-5. | 03-4 | 04-5. |
| | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| Bloemfontein ... | 13 7 | 9 10 | 15 11 | 10 6 | 15 11 | 10 9 | 15 8 | 10 21 11 4* | 16 4 | 11 1 | 12 7 | 7 6 |
| Kroonstadt ... | 14 11 | 10 3 | 17 3 | 11 0 | 17 3 | 11 3 | 17 0 | 11 10* 8 7† | 17 8 | 11 4 | 13 11 | 8 0 |
| Middleburg (T.)... | 13 8½ | 9 3 | 15 9½ | 10 3* 10 0† | 15 9½ | 10 6* 10 3† | 17 5½ | 10 8* 9 6† | 17 8 | 11 2 | 14 9 | 10 1 |
| Potchefstroom ... | 13 7 | 10 9 | 17 5 | 11 3* 10 6† | 17 5 | 11 6* 10 9† | 18 0 | 12 4* 9 0† | 17 10 | 12 0 | 13 8 | 9 2 |
| Pretoria .. | 13 11½ | 9 7 | 16 0½ | 11 0 | 16 0½ | 11 3 | 17 8½ | 9 6 | 17 11½ | 11 6 | 14 3 | 8 5 |
| Standerton ... | 12 2 | 9 9 | 15 9 | 11 0* 9 6† | 15 9 | 11 3* 9 9† | 16 8 | 11 3* 9 6† | 16 8 | 11 6 | 12 1 | 7 0 |

* Colonial.

† Imported.

Information is requested whether there were any special reasons obtaining for the high rates paid in 1903-4.

Exchequer and Audit Department,
8 March 1904.

WAR OFFICE REPLY.

The prices obtaining in 1903-4 were no doubt attributable to the peculiar economic conditions prevailing in South Africa during that period.

War Office, 6 April 1904.

(See further Query 80, No. 7 below.)

No. 6.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 51.

Pretoria Account April 1903.
Schedule 32. Voucher 4
Vote 7. Cost of Forage.
464,500 lbs. of hay at 45s. per 650 lbs.,
plus 25 per cent for Customs Duty, etc. £2,009 17 2
Compensation - - - - - 90 2 10
£2,100 0 0

being refund for short delivery, plus interest, in connection with the sale to Messrs. Starfield and Starfield of 2,043,800 lbs. of oat-hay at 45s. per 650 lbs., plus 25 per cent. to cover Customs Duty, etc., and in respect of which £8,843 7s. 6d. was credited to Appropriations-in-Aid of Vote 7 in Pretoria Account, June 1902.

Exchequer and Audit Department,
8 March 1904.

1. The sum of £2,009 17s. 2d. being (part) repayment of an amount previously credited to Appropriations-in-Aid should be treated as the refund of an erroneous credit and charged to Appropriations-in-Aid of 1903-4.
2. The sum of £90 2s. 10d. should apparently be charged, with Treasury sanction, to a special subhead as "Compensation to Contractors."
3. Information is requested whether Customs Duty at 5s. per 100 lbs. has been paid on the hay actually delivered to Messrs. Starfield.

WAR OFFICE REPLY.

1. This charge has now been transferred to Appropriations-in-Aid by Transfer 1329 of July 1904
2. This charge has been transferred as requested, by Transfer No. 1472, August 1904. Treasury authority will be found in 079/1244, which has been marked to your Department.
3. Customs duty at this rate has been paid on the quantity of hay actually delivered.

War Office, 11 August 1904.

No. 7.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 80

Replies to Query 361, 1902-3. 12/V.7/22, and Query 50, 1903-4. (Nos. 1 and 5 above.)

As it is stated in the further reply to Query 361 that no loss was entailed on Army funds by the sale of forage to the Repatriation Department at Woolwich prices, plus the additions mentioned, it would appear that the local purchase at much higher rates involved charges against Army Votes which could have been saved by direct shipment of forage supplies from home.

Exchequer and Audit Department,
23 April 1904.

WAR OFFICE REPLY.

The prices charged to the Repatriation Department were, in accordance with the usual custom, based upon the cost price of the forage sold, not upon an estimated cost for future supplies. Large losses by deterioration would probably have arisen if surpluses of forage, etc., had been retained for issue.

The rates paid for subsequent purchases must be judged by reference to the market prices then prevailing, not by prices paid at former times and under totally different conditions. Other things being equal they would naturally be higher than those obtaining for the very large purchases during the war.

The relative economy of purchasing locally or in England cannot, however, be determined merely by comparison of prices. The system of supplying in bulk from home involves a large expenditure for storehouses, staff, railway and other transport for distribution, increased reserves, wastage, and deterioration, etc., etc. The whole question was fully considered before local purchase was resorted to, and the prices paid are being watched in comparison with home prices.

The questions raised appear to be matters of administration rather than of audit; but the above explanation is given in accordance with the wish of the Public Accounts Committee as expressed on p. XLII. of their Report of 1 August 1888.

War Office,
14 June 1904.

No. 8.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY NO. 96.

Pretoria Account, May 1903.
Vote 7, Forage.
Schedule 30, Voucher 12.
£21,232 17s. 9d. paid to Messrs. Meyer, Ltd., "being the value of the under-mentioned supplies returned by them."

| | £ | s. | d. |
|---|---------|-----|------|
| Oats, 3,695,269 lbs. at 11s. per 100 lbs. | 20,323 | 19 | 7 |
| C. Forage, 81,396 lbs. at 10s. 6d. per 100 lbs. | | 427 | 6 7 |
| Hay, 32,806 lbs. at 10s. per 100 lbs. | | 154 | 0 0 |
| Oat-Hay, 63,316 lbs. at 10s. per 100 lbs. | | 317 | 11 7 |
| | £21,232 | 17 | 9 |

It is requested that explanation of this transaction may be furnished.

Exchequer and Audit Department, 30 April 1904.

WAR OFFICE REPLY.

The Paymaster's explanation (see below) has now been attached to the voucher, which is returned herewith.
War Office, 10 May 1904.

PAYMASTER'S EXPLANATION.

W.O. Obs., May/03
From Chief Paymaster, Headquarters, South Africa, to Secretary of Army Council.

Sir,
Referring to Article 10. Abstract of Examination Pretoria District Account, May 1903, I have the honour to report that the Officer in Charge Supplies, Pretoria, now states as follows:—

"In accordance with instructions the whole of the forage at Pietersburg Road was sold to Meyer, Limited, providing the same was in sound condition, and the whole quantity was struck off charge in the Supply Account for January to March 1903, on debit voucher amounting to £127,044 4s. 9d.

"On taking delivery of the forage the quantity amounting to £21,232 17s. 9d. was found to have deteriorated, and was accordingly returned and taken on charge from Meyer, Limited, by Receipt Voucher 3, April 1903, Pretoria Supply Account, New Supply Depot."

The £127,044 4s. 9d., which was paid in instalments, will be found credited at Voucher 6, Debtor Item 38, Pretoria District Account, March 1904.

I have, &c.,
(signed) G. Dewar, Col.,
Chief Paymaster.

(See also Query 248, No. 15, p. 9.)

No. 5.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY NO. 143.

Pretoria Account, May 1903.
Schedule 9, Voucher 18.
£3,749 12s. 6d. received from E. Stepney for forage issued to him at Krugersdorp in February 1903, "to enable him to carry out his contract."

Pretoria Account, July 1903.
Schedule 21, Vr. 3.
£1,671 19s. 6d. refunded to E. Stepney in respect of overcharge on above transaction.

Exchequer and Audit Department,
2 June 1904.

O.S.

(1) Explanation is requested of the disparity between the rates charged to E. Stepney for forage sold to him at Krugersdorp "to enable him to carry out his contract," and those paid to him for forage supplied to the Army at the same station, e.g., Oats 11s. and 17s. 10d. per 100 lbs. respectively.

(2) The payment of £1,671 19s. 6d. has been charged to Vote 7 Cost of Forage, instead of to Vote 7, Appropriations-in-Aid, Forage, Supplies sold.

3 D

APPENDIX TO REPORT FROM THE

WAR OFFICE REPLY.

See War Office Letters of 24/1/05 and 22/6/05.

(Nos. 18 and 20, pp. 10 and 11.)

No. 10.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 144.

Pretoria Account, July 1903, Schedule 9, Vr. 5.

| | £ | s. | d. |
|--|--------|----|----|
| Biscuits sold to Messrs. Wilson and Worthington at 7s. per 100 lbs. - - - | 5,409 | 14 | 3 |
| Less rebate at 7½ per cent. on 2,815,632 lbs. at 7s. per 100 lbs. as decided by Board of 14/4/03 - - - | 739 | 0 | 8 |
| | £4,670 | 13 | 7 |

It is requested that explanation of the rebate may be furnished.

Exchequer and Audit Department, 2 June 1904.

WAR OFFICE REPLY.

Messrs. Wilson and Worthington offered to take over all sound biscuits at Pietersburg Road Supply Depot at the rate of 7s. per 100 lbs. (*vide* enclosure), (*see* below).

A large quantity of the biscuits on charge at that depot were, however, damaged, and a Board of Officers appointed to investigate the matter reported that, in their opinion, 7½ per cent. were bad.

In order to avoid the trouble and expense of sorting out the good from the bad—a task which would have involved some weeks of work—it was arranged that all the biscuits on charge should be handed over to Messrs. Wilson and Worthington in bulk, and that they should be granted, on account of the damaged stock, a rebate of 7½ per cent. on the value of the total quantity taken over and paid for, viz., 2,815,632 lbs.

War Office, 31 October 1904.

(Enclosure.)

P. O. Box 1115, Pretoria.
3 March 1903.

Director of Supplies, Pretoria.

Dear Sir,—

I have the honour to lay before you the following offer to clear all sound Biscuits at Pietersburg Road Supply Depot, viz. :—per 100 lbs., 7s. (seven shillings).

We have, etc.

(Signed) WILSON & WORTHINGTON.

(See further Query 270, No. 16, pp. 9 and 10.)

No. 11.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 146.

Natal Account, July 1903.

Schedule 33, Voucher 20.

£200 paid to Natal Brewery for 12,000 bottles of stout, supplied in June, 1901.

Vr. 85. £120 paid as above for 7,200 bottles of stout, supplied in December, 1901.

Exchequer and Audit Department,
2 June 1904.

It is requested that the delay in payment for these stores may be explained.

WAR OFFICE REPLY.

The explanation of the Officer Commanding Army Service Corps as regards the delay in payment is now attached to the vouchers forwarded herewith.

War Office, S.W.,
26 August 1904.

FURTHER REPLY:

(See Query No. 291, No. 17, p. 10.)

No. 12.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 206.

Reply to Query 146 (No. 11). 12/V.7/85.

With reference to the explanation of the Officer Commanding Army Service Corps furnished in reply to this Query, it is requested that it may be stated whether further information cannot be afforded as to the evidence obtained to show (1) that the supplies were delivered, and (2) that payments had not been already made.

In this connection attention is drawn to the following further instances :—

| | |
|--|---|
| Pretoria Account, September 1903 - - - | Schedule 28, Vouchers 3 and 4, £32 18s. and £45 10s. |
| | Forage supplied in September and November 1900. |
| Pretoria Account, November 1903 - - - | Schedule 32, Voucher 52, £40 for Ale supplied by Natal Brewery in March 1901. |

It is requested that explanation of the delay in payment may be furnished in these cases also.

Exchequer and Audit Department,
30 September 1904.

WAR OFFICE REPLY.

See Query No. 291 (No. 17, p. 10).

No. 13.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 208.

Reply to Query 102, 1903-4. 12/V.6/32. (Not printed.)

With reference to the reply to this Query, attention is drawn to a deduction of £109 14s. 3d. from a payment to the Contractor (E. Stepney) for "cost of railage of Oats from Pretoria to Potchefstroom in Contractor's default." (Pretoria Acct. June 1903, Schedule 37, V. 139).

Further explanation is therefore requested.

Exchequer and Audit Department, 7 October 1904.

WAR OFFICE REPLY.

These were oats sent from Military Stocks at Pretoria to Potchefstroom in the contractors default and he was charged with the cost of labour and transport

War Office, 22 June 1905.

No. 14.

EXCHEQUER AND AUDIT DEPARTMENT QUERY No. 243.

Further reply to Query 367, 1902-3 (12/V.7/63) (No. 2) with statement of sales of Surplus Supplies 53/Cape 8920. Includes 11,373,345 lbs. Hay, 1st quality at 7s. per 100 lbs. delivered at Elandsfontein.

£39,806 14s. 1d.

Exchequer and Audit Department,
24 October, 1904.

With reference to this sale of Forage, information is requested of the cost of railage from Maitland (Cape Colony) to the Transvaal and of the amount of Customs duty paid in respect of it.

WAR OFFICE REPLY.

The General Officer Commanding, South Africa, reports that the quantity of hay actually sold to Messrs. Wilson and Worthington between 13th July and 31st December 1903 at Maitland was only 10,594,224 lbs. and that the cost of railage of the quantity consigned to the Transvaal, viz.—10,256,577 lbs., was £21,389 2s. 10d., and of the quantity consigned to Bloemfontein, viz.—337,647 lbs., £524 15s. 2d.

The above sums represent the charges at military rates to Germiston and Bloemfontein respectively. It is not known whether any extra charge has been or will be incurred on account of the difference between civil and military rates, but enquiry has been made in South Africa on the point.

In addition a charge for excess railage to Pretoria instead of to Germiston has been incurred, which is recoverable from the contractors, see correspondence in 53/Cape/9014, which has been passed to your Department.

The General Officer Commanding reported in January last that at that time Customs duty at 1s. per 100 lbs. had been actually paid on only 4,080,973 lbs. of hay, but that payment of duty on the balance of 6,175,604 lbs. at the same rate would be made shortly. The total amount of duty thus payable would amount to £5,128 5s. 9d.

War Office, 28 April 1905.

No. 15.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 248.

Pretoria, March 1904.
Schedule G. Voucher G.
£127,044 4s. 9d. received from Messrs. Meyer for supplies sold to them 1 January, to 31 March, 1903. Includes sums for oats, hay, and compressed forage.

Exchequer and Audit Department,
26 October, 1904.

It is noticed that this firm supplied the Army in South Africa with oats and hay during this period, and it is requested that the contracts entered into with them in each capacity may be furnished.

WAR OFFICE REPLY.

The particulars of the contract for sales have already been handed to your Department. The particulars of the contract for purchases are attached.

War Office, 22 June, 1905.

No. 16.

EXCHEQUER AND AUDIT DEPARTMENT QUERY No. 270.

Reply to Query 144 (12/V. 7/89). (No. 10.) Sale of Surplus Biscuits at Pietersburg Road Supply Depot. With reference to the reply to this query, transmitting a copy of Messrs. Wilson and Worthington's tender to purchase these Surplus Stores, it is requested that a copy of the acceptance of this tender may also be furnished to this Department.

Exchequer and Audit Department
18 November 1904.

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WAR OFFICE REPLY.

The copy of acceptance of tender asked for was furnished to your Department on 22 March 1905.

(See below.)

War Office,
22 June 1905

Messrs. Worthington and Wilson,
Box 1115,
Pretoria.

Your offer for the whole of the Biscuits, lying in Pretoria, at 7s. per 100 lbs. is hereby accepted.

(Sd) R. M. LIMOND, Capt.
A.D. of S.
for Director of Supplies.

Pretoria,
23/3/03

No. 17.

EXCHEQUER AND AUDIT DEPARTMENT, QUERY No. 291.

Natal Account, January 1904.
Schedule 29. Vr. 65.

£200 paid to Natal Brewery, Ltd., for 12,000 bottles of stout consigned to A.S.C., Pretoria, on 3rd December 1901.

In continuation of Queries 146 and 206, 1903-4, attention is directed to this payment, which has been made on a certificate of the Brewery Company, that the money was "still due and owing." It is requested that it may be stated whether the Supply Accounts at Pretoria in any way corroborate the claim from the Brewery Company.

In this connection it is also noted that a payment of £3,500 has been made to the Natal Brewery Company in respect of "empties" arising out of supplies by the Company during the period March 1900 to June 1902, which they state were not returned to them.

Exchequer and Audit Department,
13 December, 1904.

WAR OFFICE REPLY.

From correspondence which has taken place between this Department and the General Officer Commanding, South Africa, and from examination of the Cash and Supply and Supply Accounts in this Office, it would appear that there is no doubt the stores were actually supplied, and that payment had not been previously made. For correspondence and particulars of War Office examination see 53/Natal/610 which has been marked to your Department.

War Office, 22 June 1905.

CORRESPONDENCE.

No. 18.

12/Vote 7/141. (F.I.B.)

Sir,

War Office, 24 January 1905.

In continuation of letter from this Department of the 10th instant, 12/General No./45, relative to certain Outstanding Audit Queries, I am commanded by the Army Council to inform you that it has been decided to refer Nos. 361 of 1902-3 and 49, 143, 206, 248, 270 and 291 of 1903-4 to a Committee for investigation and report.

As, in the course of its enquiry, the Committee may find it necessary to investigate the analogous transactions which formed the subject of queries

Nos. 367 of 1902-3 and 48, 80, 96, 144 and 146 of 1903-4, to which replies have already been sent to your Department, I am to request that you will be good enough to regard such replies as provisional only, to be supplemented by a further communication upon consideration of the Committee's Report.

I am, &c.,
(signed) E. W. D. Ward.

The Comptroller and Auditor General,
Victoria Embankment, E.C.

(A subsequent communication from the War Office stated that Qy. 208 had also been referred to the Committee.)

No. 19.

No. 116

Sir,

Exchequer and Audit Department,
20 June 1905.

With reference to your letter of 24 January last, 12/Vote/7/141 (F.I.B.) in which you state that it had been decided by the Army Council to refer certain queries from this Department to a Committee for investigation and report, I am directed by the Comptroller and Auditor-General to enquire whether the Army Council are now able to furnish replies to these queries, in order that he may be in a position to report as to the allowance or disallowance of the various charges made to Army Votes.

I have, &c.,
(signed) J. C. King.

The Secretary, War Office, S.W.

No. 20.

Sir,

War Office, 22 June 1905.

IN reply to your letter of 20th instant, No. 116, I am directed by the Army Council to forward herewith replies to such of the queries, held over pending the investigation by Sir William Butler's Committee, as can now be answered, No. 367 of 1902-3, Nos. 146, 206, 208, 248, 270, 291.

The points raised in the remaining queries, 361 of 1902-3, 48, 49, 80, 96, 143, 144 of 1903-4 do not appear to be such as can be disposed of at the present moment in view of the fact that further investigation has been decided upon by His Majesty's Government; but the Army Council will be glad to supply any further information in their possession which the Comptroller and Auditor General may consider desirable.

I have, etc.,

(signed) *E. W. D. Ward.*

The Comptroller and Auditor-General,
Exchequer and Audit Department.

APPENDIX No. 16.

PAPERS handed in by *Mr. Robert Chalmers, C.B. (vide Q. 3101).*

I.

(Copy—53/Cape/6412. F.4.)

Sir,

War Office, London, S.W., 27 February 1903.

I AM directed by the Secretary of State for War to acquaint you, for the information of the Lords Commissioners of His Majesty's Treasury, that, owing to the large and urgent demands for Emergency Rations (consisting of 5 oz. Cocoa Paste and 4 oz. Pemman), which arose on the outbreak of the War in South Africa, the supply Reserve Depot at Woolwich, which had hitherto put up these rations, was unable to meet the requirements.

It became necessary, therefore, to obtain outside help. The chief difficulty was the preparation of the pemman. This article had been obtained from Australia, where the drying of the lean beef from which it is made can be carried out with the best results.

No firm in this country was at the moment competent to meet the requirements, but Messrs. Maconochie Bros., Ltd., offered their assistance and agreed to take up the manufacture of the complete ration in their factory at Fraserburgh, obtaining the ingredients from the best possible sources that the urgency of the demand permitted. They received instructions to proceed to their full output, the orders being subsequently covered by formal contracts.

These contracts contained a warranty clause under which the contractor guaranteed the articles to keep sound and wholesome in any climate for two years. The contractors allege that this condition in the formal contract escaped their notice, and it may be observed that, so extremely urgent were the demands of the Department for this kind of ration at the time, that any less exacting terms would without doubt have been accepted. Contrary to all expectation, the consumption of Emergency Rations in South Africa was small, and the bulk of the goods remained in store either in South Africa or at Woolwich.

In October, 1901, some of the rations at Woolwich were, on examination, found unfit for issue, and the stock in South Africa was then thoroughly examined, with the result that large quantities were eventually condemned and destroyed. The whole of the stock in hand at Woolwich was then returned to the contractors for examination and replacement. Up to the present 497,125 tins have been returned to Messrs. Maconochie Bros., who have replaced them, with the exception of 131,525 tins now in their hands. Owing, however, to the termination of the war, the replacement of this number would create an excessive stock, as only 24,000 more tins are necessary to complete the full authorised reserve at Woolwich.

This number the contractors are willing to replace, and also to pay the sum of £500 in full satisfaction of the claim against them as regards the balance. The offer is made by them on the understanding that no claim is made upon them for the value of the emergency rations destroyed in South Africa.

Bearing in mind that Messrs. Maconochie, Ltd., came to the assistance of the Department at a critical time, and that it was not contemplated that the goods would remain in store for any long period, it is considered that the guarantee clause in this case should not be pressed any further against them. There are also two facts which would make it difficult for the Department to establish an equitable claim to further replacement, viz.:

- (1) The inability to trace the different consignments and prove that the guarantee had not expired at time of condemnation of each lot in South Africa.
- (2) The fact that considerable quantities of Australian pemman were issued to the contractors, on repayment, to be made up by them, in which cases the War Department cannot avoid responsibility for the failure of the goods.

The contractors have represented that they have already incurred a loss of about £20,000 by the replacements made. They have supplied large quantities of beef and vegetable rations, bacon, jam, &c., to this Department during the war, and have given general satisfaction.

Mr. Secretary Brodrick recommends that, in the circumstances of the case, the offer of the contractors should be accepted, and I am to ask for their Lordships' approval to this arrangement.

The Secretary to the Treasury.

I have, &c.
(signed) *Frank T. Marzials.*

(Copy—3736/03.)

My Lord,

Treasury Chambers, 9 March 1903.

WITH reference to Mr. Marzials' letter (53/Cape/6412 F.4) of the 27th ultimo, relative to emergency rations supplied by Messrs. Maconochie Bros., I am directed by the Lords Commissioners of His Majesty's Treasury to request you to move the Secretary of State for War to cause them to be informed how many tins in all were supplied by this firm and at what price per tin.

I am also to enquire whether the Secretary of State has satisfied himself that the alleged loss of £20,000 on replacing the Woolwich stock has not been covered by profits on the South African consignments, of which large quantities were eventually condemned and destroyed.

Regard being had to the vital importance to troops of having an emergency ration on which reliance can be placed, my Lords request that the books of the firm may be examined on behalf of the War Office in order to ascertain the total net results of the contract.

The Financial Secretary, War Office.

I am, &c.
(signed) *W. H. Fisher.*

(Copy—53/Cape/6412. F.4.)

Sir,
 War Office, London, S.W., 14 April 1903.
 With reference to your letter No. 3736 of 9 March, I am directed by the Secretary of State for War to transmit the enclosed copy of correspondence with Messrs. Maconochie Bros., in regard to the emergency rations supplied by that firm, and to acquaint you for the information of their Lordships that :—

- (1) The number of tins supplied by the firm was 1,790,000, viz. :—
- | | | |
|--------------|-----------|------------------------|
| 400,000 tins | - - - - - | at 17s. per dozen. |
| 500,000 " | - - - - - | at 16s. per dozen. |
| 890,000 " | - - - - - | at 15s. 6d. per dozen. |

(2) Assuming the accuracy of the percentage stated by the firm, the profits on the South African Consignments could not have covered the loss on the replacement at Woolwich.

(3) It will be observed that the firm state that an inspection of their books would not assist in the matter.

Mr. Brodrick does not propose to recommend that the application of the firm for reimbursement of the loss incurred by replacements be acceded to, but he is still of opinion that the original proposal, viz., that the firm shall supply 24,000 additional tins, and shall pay £500 in cash, will best meet the circumstances of the case, and trusts that their Lordships will approve.

I am, &c.
 (signed) A. Higgins,
 for Accountant-General.

The Secretary to the Treasury.

Copy—6913/03.)

My Lord,
 Treasury Chambers, 16 July 1903.
 THE Lords Commissioners of His Majesty's Treasury have given their very careful consideration to Mr. Marzial's letter of 27 February last (53/Cape/6412. F.4.) and Mr. Higgins' letter of 14 April last (53/Cape/6412. F.4.) relative to the Emergency Rations supplied by Messrs. Maconochie Bros. during the South African War.

My Lords gather that the facts of the case are as follows :

Messrs. Maconochie supplied in all - - - - - 1,790,000 tins
 at prices ranging from 15s. 6d. to 17s. per dozen.

(The total cost of these tins was £119,145, and as the firm state that they counted on an estimated profit of 12½ per cent. to 15 per cent., the total profit anticipated by them amounted to between £14,893 and £17,871).

Of these tins - - - - - 497,125
 were returned by the War Office to Messrs. Maconochie—leaving - - - - - 1,292,875
 unreturned.

Out of this latter total 1,292,588 tins were sent to South Africa, and of these 1,138,428 were condemned and destroyed.

As the average price paid to the firm was 1s. 4d. per tin, the gross loss to the Exchequer on these 1,138,428 tins amounts to £75,895 4s.

The Secretary of State, however, calls attention to two facts which tend to reduce the liability of Messrs. Maconochie.

(i) Out of the total amount of pemmican required for the 1,790,000 rations—which may be put at about 447,000 lbs.—24,698 lbs., or about 5½ per cent., were issued by the War Office to the contractors, on repayment, to be made up by them.

It may therefore be argued that the War Office itself is responsible for about 98,450 rations, the value of which at 1s. 4d. a tin amounts to £6,563 6s. 8d.

Assuming that all the War Office pemmican was used for the rations sent to South Africa and that all the rations made from it were amongst those which were condemned, the loss in South Africa for which Messrs. Maconochie can be held responsible must be reduced by that amount, i.e. from £75,895 4s. to £69,331 17s. 4d.

(ii) The contracts with Messrs. Maconochie contained a warranty clause (which they allege escaped their notice) under which they guaranteed the articles to keep sound and wholesome in any climate for two years.

Mr. Brodrick states that it is impossible "to trace the different consignments and prove that the guarantee had not expired at time of condemnation of each lot in South Africa." On this statement, my Lords would observe that obviously none of the rations could have been delivered before the late autumn of 1899, while Mr. Brodrick states that "in October 1901 some of the rations at Woolwich were, on examination, found unfit for issue, and the stock in South Africa was then thoroughly examined, with the result that large quantities were eventually condemned and destroyed." Unless, therefore, this examination was of a prolonged nature, the presumption is that at least a considerable proportion of the goods destroyed was covered by the warranty.

It further appears that, out of the 497,125 tins returned in England Messrs. Maconochie have at present replaced 365,600 (leaving 131,525 unreplaced).

My Lords understand that the cost of replacement, per tin at the Supply Depot, Woolwich, would amount to about 10½d. Assuming that this rate applies in the case of Messrs. Maconochie, the firm may be taken to have spent £15,614, or approximately the amount of the anticipated profit on replacement. Their own statement is to the effect that "they have already incurred a loss of about £20,000 by the replacements made."

My Lords have some difficulty in understanding this statement; but they presume that it must refer to the gross loss on replacement and not to the net loss remaining after the original profit has been taken into account.

In these circumstances Mr. Brodrick proposes—(i) to cancel all claims for the 1,138,428 rations destroyed in South Africa (gross amount £75,895 4s.; net amount, after allowing for the pemmican supplied by the War Office, £69,331 17s. 4d.)

(ii) To require Messrs. Maconochie to replace 24,000 tins out of the 131,525 returned to them and still unreplaced; but to leave 107,525 tins unreplaced, accepting £500 in lieu of them.

The result of the latter proposal would be that while (a) the War Office would lose the value of 107,525 tins purchased at 1s. 4d. each, or £7,168 6s. 8d., less £500, i.e., £6,668 6s. 8d. net, (b) the firm would escape a liability for replacing 107,525 tins at a cost of 10½d. each, or £4,592 4s. 3d., by a payment of £500.

My Lords have carefully considered the arguments submitted by Mr. Brodrick in favour of this course, but they do not find in them any justification for the proposed concession. When Messrs. Maconochie undertook the supply of these rations, they anticipated a profit of some £15,000 to £18,000, representing 12½ per cent. to 15 per cent. on their total cost. If, therefore, the contract had been successfully carried out, it would have proved lucrative for the firm, and it is only reasonable that they should bear at least the main portion of the loss resulting from its failure. The principle that when a contract is successful the profits should accrue to the contractors and that when it fails the losses should be borne by the Exchequer is one which my Lords cannot accept. My Lords would further observe that the contract was no ordinary one. It is a matter of the first importance that troops in the field should be able to rely on their emergency rations in moments of difficulty; and the supply of defective rations to the Army destroys all claim on the part of the contractors to consideration at the hands of His Majesty's Government.

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The information before the Treasury does not show at what dates these rations were purchased, examined, and destroyed respectively. Regard being had to the importance of the case, my Lords request that the whole of the facts and papers may be laid forthwith by the Secretary of State before the legal adviser of the War Office in order to ascertain what are the precise rights of His Majesty's Government in the matter, and what course should be adopted if it is determined to enforce this.

The Financial Secretary, War Office.

I am, &c.,
(signed) *Arthur D. Elliot.*

(Copy.—53/Cape/9062. Q M G C.)

Sir,
War Office, London, S.W., 29 November 1904.
With reference to your letter of 16 July 1903 (No. 6913/03) I am commanded by the Army Council to inform you that the question of the outstanding claim of this Department against Messrs. Maconochie Bros. Limited, in respect of Emergency Rations supplied by them during the South African War, has again received their most careful consideration with a view to arriving at a satisfactory final decision.

In accordance with their Lordships' request, the whole of the facts and papers relating to the case have been laid before the law officers of the Crown. A copy of the case and opinion is enclosed.

In the latter it will be observed that the law officers state in paragraph I. that the Department is entitled to call upon the firm to replace 131,525 rations, but that in paragraph IV. they advise the acceptance of any offer made by the firm which is considered fair and reasonable.

Further replacement of rations, even if agreed to by Messrs. Maconochie, would not ultimately be of advantage to the public, inasmuch as the result of examination of the already replaced rations tends to show that no reliance can be placed on the keeping quality of rations of this nature. Further particulars on this point are contained in the annexed copy of minutes between this Department and the Treasury Solicitor, who has advised that a claim in respect of second failures could not be supported.

Having ascertained the legal position of the Department in the matter, the Army Council approached Messrs. Maconochie with a view to obtaining from them, if possible, a better offer than that submitted to the Lords Commissioners of His Majesty's Treasury in War Office letter of 14 April 1903, No. 53/Cape/6412.

As a result of personal negotiations, a meeting was arranged on 1 November at this office between the Financial Member, the Director of Finance, and Mr. A. Maconochie, and after a prolonged discussion Mr. Maconochie offered on behalf of his firm to pay £1,500 in full settlement. The War Office representatives, however, refused to agree to less than £2,500; and the firm, although still protesting against the pressure put upon them, have now offered the sum of £2,500, "in full settlement of all claims of any kind or description by the War Office or any person acting through them."

As the wording of Messrs. Maconochie's offer embraces all claims against them, I am to explain that the only other claim now outstanding is in respect of the condemnation of a quantity of calf's foot jelly which was supplied by them in March 1903, in replacement of some condemned in South Africa and returned to this country. The amount of this claim is nominally is about £82.

The offer of £2,500 is now submitted for their Lordships' acceptance, and in submitting it I am to inform you that the Army Council are convinced that it is an advantageous one for the public, and that no better results would accrue from litigation or arbitration. They have, therefore, informed Messrs. Maconochie that, subject to Treasury concurrence, the offer made will be accepted.

The Secretary, Treasury.

I am, &c.,
(signed) *E. W. D. Ward.*

(Copy.—19989-04.)

Sir,
Treasury Chambers, 29 December 1904.
The Lords Commissioners of His Majesty's Treasury have had before them your letter of 29 November last (53/Cape/9062 Q.M.G. C.) in which the Army Council recommend that the outstanding claims of the War Department against Messrs. Maconochie Bros., Limited, in respect of Emergency Rations, &c., supplied by them during the South African War should be settled by the acceptance of a lump sum of £2,500.

After carefully reviewing the various aspects of the case, my Lords are not prepared to sanction and justify to Parliament a settlement on this basis. They recommend that (unless Messrs. Maconochie are prepared to have recourse to arbitration) litigation should at once be commenced to enforce the full legal rights of His Majesty's Government in the matter. They think that it should cover (i) the case of the rations sent to South Africa as well as of those retained at home, and (ii) the case of the 365,600 rations supplied by the firm in "replacement" of rations condemned, "many of which" (as their Lordships observe from the War Office letter of the 16th ultimo 53/Cape/ 9081 Q.M.G. F.) "have subsequently been found to be unsound."

The Secretary, War Office

I am, &c.,
(signed) *G. H. Murray.*

(Copy.—53/Cape/9098 Q.M.G. C.)

Sir,
War Office, London, S.W., 17 January 1905.
I am commanded by the Army Council to acknowledge receipt of your letter of 29 December last (19989/04), in which it is intimated that their Lordships are not prepared to sanction a settlement, on the basis proposed, of the outstanding claims of the War Department against Messrs. Maconochie Bros., Limited, in respect of Emergency Rations.

Their Lordships recommend that, unless Messrs. Maconochie are prepared to have recourse to arbitration, litigation should at once be commenced to enforce the full legal rights of His Majesty's Government in the matter. Before action is taken, however, in this direction, the Army Council desire me to submit the following observations for their Lordships' consideration:—

(1) With regard to the emergency rations condemned in South Africa, to which special reference is made in your letter under reply, the opinion of the law officers appears to preclude the possibility of the matter being taken into court with any chance of success.

(2) The Council have ascertained unofficially that Messrs. Maconochie will not accept arbitration, but will replace 131,000, approximately, Emergency Rations, which in view of the law officers' opinion appear to be the only Emergency Rations with regard to which we are in a position to successfully press a claim. These Emergency Rations will therefore have to bear the cost of inspection and storage, and will in the near future have to be destroyed. Any possible turnover in peace time is of a very limited character, and it is doubtful whether, in view of their liability to deteriorate, they could ever be issued in war.

A new type of Emergency Ration has been provisionally adopted.

The Council do not propose to question their Lordships' decision to refuse £2,500, which is offered by the firm in full settlement of the War Department's claims, but they desire to be assured before taking this action that their Lordships, having before them the facts stated above, still adhere to their decision.

The Secretary, the Treasury.

I am, &c.,
(signed) *E. W. D. Ward.*

(COPY.—1035/05.)

Sir,
 IN reply to your letter of the 17th instant (53/Cape/9098 Q.M.G., C.) relative to the claim against Messrs. Maconochie, I am directed by the Lords Commissioners of His Majesty's Treasury to request you to point out to the Army Council that the opinion given by the law officers on 19 May was to the effect that the result of any proceedings instituted against the firm in respect of the rations condemned in South Africa "would be doubtful." My Lords do not understand this as meaning that the matter could not be "taken into Court with any chance of success," but that, on the information before them, the law officers felt unable to say what the result would be. So long as there is any reasonable doubt on this point, and since Messrs. Maconochie decline to refer the matter in dispute to arbitration, my Lords think that legal proceedings should be instituted, as the House of Commons will require to be satisfied that all proper steps have been taken to protect the public interests.

The Secretary, War Office.

I am, &c.,
 (signed) *Victor Cavendish.*

(COPY.—53/Cape/9115. Q.M.G. C.)

Sir,
 IN reply to your letter of 30 January (1035/05), relative to the claim against Messrs. Maconochie in connection with the supply of Emergency Rations during the South African War, I am commanded by the Army Council to acquaint you, for the information of the Lords Commissioners of His Majesty's Treasury, that, in accordance with the instructions given in your letter under reply, the whole case was again referred to the Treasury Solicitor, by whom the law officers and Mr. Sutton were requested to advise:—

- (1) On the main question, what steps should now be taken, and
- (2) What steps should be taken with regard to the matter of the replaced rations.
- (3) Generally.

A copy of the opinion, dated 21 February, 1905, is enclosed, and, in view of its terms, the Army Council request that they may be informed what further action their Lordships wish to be taken in the matter. Their Lordships will realise the urgency of the case.

The Secretary to the Treasury,
 Treasury Chambers, Whitehall, S.W.

I am, &c.
 (signed) *E. W. D. Ward.*

(COPY.—4397/05.)

Sir,
 IN reply to your letter of the 4th instant (53/Cape/9115 Q.M.G., C.), relative to the claim against Messrs. Maconochie in connection with the supply of Emergency Rations during the South African War, I am directed by the Lords Commissioners of His Majesty's Treasury to inform you, that in view of the further opinion from the law officers of the Crown, they concur in the arrangement proposed by the Army Council on 29 November last (53/Cape/9062. Q.M.G., C.)

My Lords, however, feel it necessary to record their disapproval of the informal waiver of any part of the terms of a formal contract. They do not deny that there are cases where it may be proper and even necessary to depart from the customary forms of tender and contracts, but in such cases the contract should embody the terms actually agreed upon and should not embody stipulations which the War Office have no intention of enforcing, still less terms and conditions which the agent of the War Office has by antecedent negotiations deprived the War Office of any authority to enforce.

My Lords desire further to express their regret that Messrs. Maconochie were informed that their offer of £2,500 was accepted by the Army Council "subject to Treasury concurrence." If it had been necessary to proceed to litigation the case would obviously have been prejudiced by a statement which was tantamount to an admission that the compromise offered was, in the opinion of the Department primarily concerned, a reasonable one.

The Secretary, War Office.

I am, &c.,
 (signed) *Victor Cavendish.*

II.

(Copy.—53/Cape/9042. F.4.)

Sir,

War Office, London, S.W., 9 September 1904.

WITH reference to the observations made in the Report of the Public Accounts Committee on the Army Appropriation Account, 1902-3, I am commanded by the Army Council to transmit to you, for the information of the Lords Commissioners of His Majesty's Treasury, the report of the Departmental Committee on the administration of the Durban Supply Depot during the years 1899-1903.

The Army Council concur in the opinions expressed by the Departmental Committee, both as regards the supplies unaccounted for and those ultimately condemned, and request their Lordships covering sanction for writing off losses to the values shown in the Report.

I am, &c.,
(signed) R. H. Brade.

The Secretary, Treasury.

(Copy.—15555/04.)

Sir,

Treasury Chambers, 19 September 1904.

I HAVE laid before the Lords Commissioners of His Majesty's Treasury Mr. Brade's letter of the 9th instant (53/Cape/9042. F.4.) together with its accompanying Report of the Departmental Committee on the Administration of the Durban Supply Depot during the years 1899-1903.

I.

The Army Council request authority for the writing off of net deficiencies amounting to £32,000 (as against an earlier estimate of £76,000).

(i.) The Committee are of opinion that these deficiencies are attributable to the extreme pressure existing at Durban; to the inadequacy of the Army Service Corps staff; and to the frequent changes in *personnel*.

(ii.) They state that "each officer assumed charge without taking stock"; but that in view of the paucity of officers and the impossibility of closing down, this is not a matter for surprise, and that "there is abundant evidence that stock of the most important articles was constantly being taken from time to time."

(iii.) They consider that "the bulk of the deficiencies undoubtedly may be ascribed to errors of account"; that "no effort within the power of the officers was spared for the protection of public supplies"; and that it is "impossible to believe the deficiencies represent actual loss to the State."

(iv.) They estimate the supplies that passed through Durban at not less than £6,000,000, the deficiency of £32,000 now disclosed being $\frac{1}{2}$ per cent. on the turnover.

My Lords have no further observations to make, and in view of the care with which the matter has been investigated they authorise the write-off proposed.

II.

The Army Council further propose to write off the value of stores condemned, amounting (at purchase prices) to £203,000.

The Committee find—

(i.) That "destruction was absolutely necessary."

(ii.) That "deterioration was hastened by the want of proper storage."

(iii.) That in the circumstances "the stacking of stores in the open was unavoidable."

(iv.) That "in so far as individual responsibility is concerned, . . . the officers performed their duties satisfactorily, and that the losses were due to circumstances beyond their control."

My Lords note that a large portion of the stores condemned consisted of rations, and I am to ask that they may be furnished with a brief summary of all losses incurred with rations of various kinds in connection with the war. So far as possible they would be glad if such summary could be made to indicate (i.) how far these rations were (a) Emergency Rations and (b) meat and vegetable rations of the kinds which have already come under notice, and (ii.) who were the firms that supplied these condemned rations.

I am also to inquire whether it can be ascertained what proportion of the condemnations occurred after the termination of hostilities.

I am, &c.,
(signed) Victor Cavendish.

The Secretary, War Office.

(Copy.—53/Cape/9063. F.4.)

Sir,

War Office, London, S.W., 2 November 1904.

WITH reference to part II. of your letter of the 19th ultimo (No. 15555/04) I am commanded by the Army Council to transmit for the information of the Lords Commissioners of His Majesty's Treasury the enclosed statement showing the numbers of emergency and meat and vegetable rations condemned in South Africa during and after the late war, and so far as possible the names of the contractors who supplied the rations.

I am, &c.,
(signed) E. W. D. Ward.

The Secretary, the Treasury, S.W.

(Copy.—53/Cape/9063.)

CONDEMNATIONS OF EMERGENCY RATIONS AND MEAT AND VEGETABLE RATIONS IN SOUTH AFRICA.

| | Emergency Rations. | M. and V. Rations. |
|--|--------------------|--------------------|
| Condemned during the period of hostilities | 974,630 | 267,612 |
| Condemned since the termination of hostilities | 59,902 | 4,269,478 |
| Total | 1,034,532 | 4,537,090 |

NAMES OF CONTRACTORS BY WHOM THE ABOVE WERE SUPPLIED.

| | Emergency Rations. | M. and V. Rations. |
|-------------------------|--------------------|--------------------|
| Maconochie Bros., Ltd., | 955,727 | 1,053,563 |
| Poulton & Noel | | 450,240 |
| London Canning Co. | | 126,531 |
| Moir & Wilson | | 269,976 |
| Moir & Sons | | 117,958 |
| Davidson, R. & W. | | 93,436 |
| Sturton Bros. | | 23,100 |
| Bruce, W. | | 51,986 |
| Aberdeen Preserving Co. | | 2,408 |
| Dahamel & Co. | | 9,856 |
| Milne & Son | | 20,720 |
| Bovril, Ltd. | 2,101 | — |
| Chamberlain, H. R. | 19,389 | — |
| Woolwich | 4,845 | — |
| Not stated | 52,470 | 2,317,316 |
| Total | 1,034,532 | 4,537,090 |

(Copy.—18533/04.)

Treasury Chambers, 11 November 1904.
 Sir,
 I HAVE laid before the Lords Commissioners of His Majesty's Treasury your letter of the 2nd instant (53/Cape/9063. F.4.) together with the statement of rations destroyed in South Africa which was enclosed therewith.
 My Lords note that, as regards more than half of the "Meat and Vegetable Rations" the Contractors name is said to be "Not stated." My Lords are not clear as to whether they are to infer that the names were known in South Africa but were not reported to the Army Council; but they direct me to inquire whether it would not be possible to obtain information on the point, even if it has not already been submitted.
 They would also be glad to learn the total value, at cost price, of the rations in question.
 Their Lordships have referred to the previous correspondence as to the destruction of different kinds of rations (War Office letters of 14 April 1903, 53/Cape/6412. F.4; 7 April, 1904, 53/Cape/8787. F.4., and 9 September, 1904, 53/Cape/9042. F.4.), but, on the information before them, they have been unable to reconcile the figures with those now submitted, and they would be glad to receive further explanations on the point.

The Secretary, War Office. I am, &c.,
 (signed) G. H. Murray.

(Copy.—53/Cape/9081. Q.M.G. F.)

War Office, London, S.W., 16 December 1904.
 Sir,
 WITH reference to your letter of the 11th ultimo (No. 18533/04) relative to rations destroyed in South Africa, I am commanded by the Army Council to transmit, for the information of the Lords Commissioners of His Majesty's Treasury, a statement giving amended details regarding the numbers of destroyed meat and vegetable rations supplied by the various contractors, further particulars on this point having now been included.

This still leaves a large number as "not known," nearly all of which were hurriedly destroyed at Durban as a danger to health owing to their bad condition, and no further information in regard to them is now obtainable. There can however be no doubt that, if known, they would swell the numbers already shown against the various contractors whose names appear in the statement.

The total value, at average cost price, of the destroyed rations is as follows :—
 Emergency rations, 1,034,532, at 1s. 4d. each - - - - - £68,969
 Meat and vegetable rations, 4,537,090, at 1s. each - - - - - 226,854
 £295,823

I am to add that this Office letter of 14 April 1903, relative to Emergency Rations, gave the total number supplied by Messrs. Maconochie Bros., viz., 1,790,000.

Of this number 945,137 were condemned in South Africa, and 497,125 at home. The former number only are included in the statement, as the latter were returned to Messrs. Maconochie Bros. to be replaced. This was done to the extent of 365,600, many of which, however, have subsequently been found to be unsound. The proposed final settlement of this part of the question has been placed before their Lordships in War Office letter No. 53/Cape/9062, dated 29th ultimo. The letters of 7 April and 9 September last, referred to by you, dealt with rations condemned at Pretoria and Durban respectively, the numbers of which, together with other smaller condemnations, were included in the original statement forwarded on the 2nd ultimo.

It is observed that the Emergency Rations shown in the Report of the War Office Committee on the Administration of the Durban Supply Depot 1899-1903, as destroyed in 1903, were actually destroyed in 1902, and are included in the number 945,137 above referred to.

The Army Council will be glad to receive their Lordship's final approval of the Report of the Committee on the Administration of the Durban Supply Depot.

I have, &c.,
(signed) E. W. D. Ward.

The Secretary to the Treasury.

(Copy.—53/Cape/9081.)

AMENDED STATEMENT.

CONDEMNATIONS OF EMERGENCY RATIONS AND MEAT AND VEGETABLE RATIONS IN SOUTH AFRICA.

| | Emergency Rations. | M. and V. Rations. |
|--|--------------------|--------------------|
| Condemned during the period of hostilities - - - - | 974,630 | 267,612 |
| Condemned since the termination of hostilities - - - - | 59,902 | 4,269,478 |
| Total - - - - - | 1,034,532 | 4,537,090 |

NAMES OF CONTRACTORS BY WHOM THE ABOVE WERE SUPPLIED.

| | Emergency Rations. | M. and V. Rations. |
|-----------------------------------|--------------------|--------------------|
| Maconochie Bros., Ltd. - - - - - | 955,727 | 1,484,511 |
| Poulton & Noel - - - - - | — | 491,512 |
| London Canning Co. - - - - - | — | 210,279 |
| Moir & Wilson - - - - - | — | 376,236 |
| Moir and Sons - - - - - | — | 176,618 |
| Davidson, R. & W. - - - - - | — | 93,436 |
| Starton Bros. - - - - - | — | 23,100 |
| Bruce, W. - - - - - | — | 301,158 |
| Aberdeen Preserving Co. - - - - - | — | 2,408 |
| Duhamel & Co. - - - - - | — | 9,856 |
| Milne & Son - - - - - | — | 20,720 |
| Morton, C. & E. - - - - - | — | 46,732 |
| Bovril, Ltd. - - - - - | 2,101 | — |
| Chamberlain, H. R. - - - - - | 19,389 | — |
| Woolwich - - - - - | 4,845 | — |
| Not known - - - - - | 62,470 | 1,300,524 |
| Total - - - - - | 1,034,532 | 4,537,090 |

Copy.—21,314/04.)

Sir,
I have laid before the Lords Commissioners of His Majesty's Treasury your letter of the 16th ultimo (53/Cape/9081. Q.M.G. F), from which it appears that the total number of rations condemned and destroyed in connection with the recent war in South Africa was as follows viz. :—

| | Number. | Average cost price. |
|------------------------------|-----------|---------------------|
| Emergency - - - - - | 1,034,532 | £68,969 |
| Meat and Vegetable - - - - - | 4,537,090 | 226,864 |
| | | <u>£295,823</u> |

My Lords note that in addition, 497,125 Emergency Rations at home were returned to Messrs Maconochie, that 365,600 were replaced, but that many of those have subsequently been found to be unsound. This matter is being dealt with separately (vide Treasury letter No. 19989/04 of 29th ultimo).

Their Lordships are glad to observe that, since their letter of 11 November was written, 1,016,792 rations have been removed from the category of "not known" and earmarked against various contractors. Thus 430,948 more are attributed to Messrs. Maconochie Bros., Limited; 106,260 more to Messrs. Moir & Wilson; and 249,172 more to Mr. W. Bruce.

There seems to be a slight discrepancy as to the total number of Emergency Rations supplied by Messrs. Maconochie which were condemned in South Africa. The figure given in your letter is 945,137, while that which appears in the schedule is 955,727.

My Lords understand that (with the exception mentioned above) the statement now submitted is inclusive and covers:—

- (i.) The rations supplied by Messrs. Maconochie referred to in your letter of 29 November last (53/Cape/9062. Q.M.G. C.).
- (ii.) The 1,669,382 meat and vegetable rations of the approximate value of £83,000 destroyed at Pretoria in March, 1903, the write-off of which was sanctioned by the letter from this Department of 10 June last; and
- (iii.) The rations specified in Appendix 1B of the Report of the Committee on the Durban Supply Depôt, viz:—

| | Numbers. | Value. |
|------------------------------|-----------|----------------|
| Meat and Vegetable - - - - - | 2,427,150 | £ 121,358 |
| * Emergency - - - - - | 228,277 | 15,218 |
| | | <u>136,576</u> |

* Included in (1).

On this understanding, my Lords now sanction the write-off of the value of stores condemned at Durban amounting (as recorded in the Treasury letter of 19 September last) to £203,000 on the basis of purchase prices. An explanatory note of the circumstances should be appended to the Army Appropriation Account.

The Secretary, War Office.

I am, &c.
(signed) Victor Cavendish.

III.

(Copy.—53 Cape/8312. F.4.)

Sir,

War Office, London, S.W., 12 February 1903.

I AM directed by the Secretary of State for War to request that you will bring to the notice of the Lords Commissioners of His Majesty's Treasury the hardship entailed to soldiers serving in South Africa by the excessive cost of living which at present obtains throughout that country.

2. Since the termination of hostilities the soldier's ration has been reduced to the scale prescribed by regulations for times of peace, with additional issues of bacon or cheese, and jam, from surplus stocks. Reports, however, have been received from the various commands showing that, in order to provide the ordinary extras necessary to complete his daily messing, each man is called upon to supplement his messing allowance of 3d. per diem by a contribution from his pay varying from 3d. to 4½d. in the different districts.

3. Provisions of all kinds, especially fresh vegetables, which form so important a part of the soldier's diet are, as their Lordships are aware, much more expensive than in this country. Even with the addition which each soldier now makes to his messing allowance, it is reported to be impossible to ensure him meals equal to the ordinary scale of home diet, and obviously under such conditions soldiers are not encouraged to extend their services with the colours.

3A. Further, while officers and warrant officers respectively, draw 4s. and 2s. a day, Colonial allowance, in aid of the expenses of the station, the non-commissioned officers and men receive no corresponding allowance to meet the extra cost of living in South Africa.

4. Under these circumstances Mr. Brodrick is anxious, with their Lordships' concurrence, to make some contribution towards the provision on an adequate scale of the soldiers' messing in South Africa, until prices in the country have reverted to their normal level. He is unwilling however that the messing allowance itself, which is now identified with pay, should be subject to alteration dependent on market prices, and proposes instead to supplement the deficiency by issuing in kind to the troops a daily ration at the war scale.

5. This method of dealing with the case recommends itself to Mr. Brodrick all the more that there is now on hand in South Africa a large surplus of supplies which cannot be disposed of by sale, except at a considerable loss. Such supplies, if kept for any length of time, are liable to deterioration, and may in some cases be ultimately found unfit for issue and condemned as unserviceable. If these are utilised for the benefit of the troops, no extra cost will practically be incurred for the groceries required to make up the full field ration. For the vegetables in the field ration there is also a large surplus supply of compressed vegetables, but as these are not considered entirely satisfactory as a substitute for fresh vegetables, it is proposed to issue on alternate days ½ lb. of potatoes per man. It is estimated that the cost of these latter will amount to £12,500 for a period of six months, at the end of which it may be possible to revert to the ordinary peace scale of rations.

6. Mr. Brodrick is satisfied that this measure is advisable in the interests of the service, and I am accordingly to solicit their Lordships' sanction to the expenditure involved.

I have, &c.,
(signed) *Frank T. Marzials.*

The Secretary to the Treasury.

(Copy.-- 2753/03.)

My Lords,

Treasury Chambers, 19 February 1903.

THE Lords Commissioners of His Majesty's Treasury have had before them Mr. Marzials' letter (53/Cape/8312. F.4.) of the 12th instant, in which Mr. Secretary Brodrick represents the necessity, in view of high prices of commodities in South Africa, of issuing in kind to the troops there a daily ration at the war scale for a period of six months. The necessary groceries can be furnished for the time being from surplus stocks in the country, as can compressed vegetables, but it will be necessary to purchase potatoes so as to issue ½ lb. per man on alternate days at a cost estimated at £12,500 for the period of six months.

In deference to the recommendations of the Secretary of State, my Lords sanction the proposed expenditure for this period.

I am, &c.,
(signed) *E. W. Hamilton.*

The Financial Secretary, War Office.

(Copy.—53/Cape/8651. F.4.)

Sir,

War Office, London S.W., 17 July 1903.

I AM directed by the Secretary of State for War to invite your attention to previous correspondence on the subject of the scale of rations issued to troops in South Africa.

In the letter from this office of 12 February 1903, the reasons for the continuance of the war scale were set forth in detail, and the Lords Commissioners of His Majesty's Treasury, in view of those representations, sanctioned the necessary expenditure involved for a period of six months (Treasury letter 19 February, 2753/03).

As that period will shortly expire, and the local circumstances are unchanged, the General Officer Commanding has applied for authority to continue the same scale of rations till 31 March 1904, with an increase in the allowance of dried vegetables issued on alternate days from 1 oz. to 2 oz.

Large stocks of groceries and compressed vegetables are still in the possession of the military authorities in South Africa, and it is possible that purchases of new goods for the purpose of continuing the higher issue till the end of the financial year may not be necessary except in the case of potatoes.

Mr. Brodrick is satisfied that it is necessary to make some special provision to enable soldiers to live in health and comfort in South Africa; and, under present circumstances, the continued issue of the war ration is the most economical method of meeting the case. He proposes to further consider the whole question before the end of the financial year and meanwhile asks their Lordships' early sanction to the course proposed for the present.

I have, &c.,
(signed) *Frank T. Marzials.*

The Secretary to the Treasury.

(Copy.—12677/03.)

My Lord,
 Treasury Chambers, 27 July 1903.
 In reply to Mr. Marzials' letter (53/Cape/8651. F.4.) of the 17th instant, I am to request you to inform the Secretary of State for War that the Lords Commissioners of His Majesty's Treasury sanction the continuance till 31 March 1904 of the issue of a daily ration on the war scale to troops in South Africa, with the increase of the allowance of dried vegetables on alternate days from 1 to 2 oz.
 Their Lordships' sanction as above is given on condition that it is not in contemplation to increase the pay or money allowances of the troops in the command.

The Financial Secretary, War Office.

I am, &c.,
 (signed) Arthur D. Elliot.

(Copy.—Natal 16/1424. F.4.)

Sir,
 War Office, London, S.W., 13 January 1904.
 With reference to War Office letter of 17 July last (No. 53/Cape/8651. F.4.) and Treasury reply thereto of the 27th idem (No. 12677/03), sanctioning the continuance till 31 March 1904, of the issue of a daily ration on the war scale to troops in South Africa, I am directed by the Secretary of State for War to acquaint you, for the information of the Lords Commissioners of His Majesty's Treasury, that further representations have been made by the General Officer Commanding the Forces in South Africa respecting the hardship entailed on soldiers serving in that country owing to the prevailing high prices of commodities. He states that the cost of living there is three times as much as at home, and recommends that, in order to put the troops on anything like the same footing as in England, the scale of ration, with slight modifications, should continue as at present, and that, in addition, soldiers should be granted Colonial allowance at rates varying from 2s. a day in the case of Classes XVI. and XVII. to 6d. in that of the private; and that an allowance should also be given to the wives and children of soldiers on the married establishment.

The matter has been referred for consideration to a Committee in this Department, specially appointed for that purpose, and their recommendations, which Mr. Arnold Forster has approved, are submitted herewith for the favourable consideration of their Lordships.

1. From evidence furnished by General Lyttelton, and from other sources, the Committee were of opinion that it has been conclusively shown that the cost of the soldier's messing in South Africa is at least twice as much as in England, and in view of the improbability of the peace scale of rations and groceries, with messing allowance of 3d. a day, proving adequate for some time to come, they recommend, as the best method of meeting the case, that the ration on the war scale should be continued in South Africa until prices revert to a normal level.

As regards the other expenses of an unmarried soldier (Classes XVI. to XX.) it was considered that, at the present time, a case had not been made out for Colonial allowance.

2. With regard to the expenses of the married soldier, the Committee were satisfied, from independent sources, as well as by evidence given by soldiers who had recently returned from South Africa, that it would be quite impossible for a married soldier with his present emoluments to provide his wife and children with the necessaries of life. If the war scale of ration be continued to the soldier, the wife and children would, of course, be entitled to proportional shares at the increased rate also. This, however, the Committee considered, did not adequately meet the case. Women, and children especially, require articles of food not included in that ration, e.g., milk, butter, eggs, &c., commodities which undoubtedly are very dear. Other expenses also tell heavily on the married soldier, e.g., clothing, which is most expensive in South Africa generally, though dearer in the Transvaal and Orange River Colony than in Cape Colony and Natal.

The Committee were therefore of opinion that there were substantial grounds for making some contributions to the soldier on the married establishment in South Africa in aid of his expenses, and they recommended the issue of a money allowance at the following daily rates for the wives and children of soldiers (Classes XV. to XX.):—

| | Wife. | Each Child. |
|--|-------|-------------|
| Transvaal and Orange River Colony | 8d. | 4d. |
| Cape Colony and Natal | 6d. | 3d. |
| The financial effect of these recommendations is as follows:— | | |
| (a) Cost of extra issues over 1898 scale of ration for one year from 1 April 1904 for the troops in South Africa:— | | £ |
| About | | 129,000 |
| (b) Annual cost of granting an allowance at the rates proposed to the wives and children of soldiers on the married establishments:— | | |
| About | | 62,000 |
| Total | | £191,000 |

Mr Arnold Forster considers that the recommendations of the Committee are very reasonable, and he trusts therefore that their lordships will sanction the proposals made.

I am to add that the cost of these measures is included in the sum agreed upon as the total of Army Estimates 1904-5. As regards the Colonial allowance for women and children, it is proposed to make the issue from the 1st instant. As the number of families at present in South Africa is very small, the expense for the remainder of the financial year will be inconsiderable.

As the matter is pressing I am to request that a reply may be forwarded to this Department at as early a date as possible.

The Secretary to the Treasury.

I have, &c.,
 (signed) Frank T. Marzials.

(Copy.—764/04.)

Sir,
 Treasury Chambers, 18 January 1904.
 THE Lords Commissioners of His Majesty's Treasury have given their careful consideration to Mr. Marzials' letter (Natal 16/1424. F.4.) of the 13th instant, relative to the emoluments of soldiers serving in South Africa.

I. The Secretary of State for War proposes, in view of the high cost of soldiers' messing in the command, that the daily ration on the war scale should be continued to the troops in South Africa for the forthcoming financial year, at an estimated cost of £129,000. My Lords sanction this proposal.

II. The Secretary of State further proposes, as an extra concession to soldiers on the married establishment in South Africa the issue of a money allowance at the following daily rates for the wives and children of soldiers (Classes XV. to XX.), viz.:—

0.3.

| | Wife. | Each Child |
|--|-------|------------|
| In Transvaal and Orange River Colony - - - - - | 8d. | 4d. |
| In Cape Colony and Natal - - - - - | 6d. | 3d. |

Although their Lordships are not aware of any precedent for the proposed issue, their Lordships recognise that in principle the present high prices in South Africa necessitate a special concession for the time being; but they are averse from making the concession in the form of a money payment to individuals, which it might be found difficult to withdraw when circumstances change.

Accordingly, their Lordships invite the Secretary of State to consider whether it would not be possible to give in kind an equivalent measure of relief to married soldiers in South Africa by supplying to them for their wives and children from canteens any amount of food required (up to a fixed maximum per head) at less than cost price, and by recouping the loss to the canteens by giving to them and not to individuals the money grant. If this were practicable, as my Lords hope may be the case, then as the present high prices fall, the special contribution would fall too, disappearing automatically with the exceptional circumstances to which its origin was due.

I am, &c.,
(signed) *E. W. Hamilton.*

The Under Secretary of State, War Office.

(Copy.—Natal 16/1426. F.4.)

Sir,

War Office, London, S.W., 21 January 1904.

I AM directed by the Secretary of State for War to acknowledge the receipt of your letter of the 18th instant (No. 764/04.), conveying the approval of the Lords Commissioners of His Majesty's Treasury to the continuance of the daily ration on the war scale to the troops in South Africa for the financial year 1904-5, and suggesting an alternative measure of relief to married soldiers in South Africa in lieu of the money concession proposed by Mr. Arnold Forster.

As their Lordships recognise that the present high prices in South Africa necessitate a special concession to married soldiers, the question for decision is one of method only.

I am therefore to point out that, although it might be possible to provide food for the wives and children from canteens under cost and to recoup the loss to the canteens by money grants, such an arrangement would involve elaborate calculation of cost and a complicated system of accounts. It would, moreover, afford no relief in respect of extra expenses on other than food purchases, as the canteens are not in the position of general stores, and could not stock the great variety of goods, chiefly clothing, required by women and children; nor again is it a concession that it would be more easy to withdraw than that proposed by this Department.

For these reasons Mr. Arnold Forster feels very strongly that the only practical way of assisting the married soldier to keep his family with him in South Africa is by the issue of a money grant as proposed in my letter of 13 January. The rates named are considerably below those recommended by the General Officer Commanding, and are undoubtedly very moderate in the circumstances.

I am therefore urgent to request that you will be good enough to submit the proposal referred to for the reconsideration of their Lordships.

I have, &c.,
(signed) *Frank T. Marzials.*

The Secretary to the Treasury

(Copy.—1372/04.)

Sir,

Treasury Chambers, 5 February 1904.

I HAVE laid before the Lords Commissioners of His Majesty's Treasury Mr. Marzials' letter (Natal 16/1426. F.4.) of the 21st ultimo further with regard to the issue of the Colonial allowance for the wives and children of married soldiers in South Africa.

In deference to the representations of the Secretary of State for War, my Lords assent to the issue of this allowance in money at the rates specified in the Treasury letter of the 18th ultimo as from the 1st ultimo. Their Lordships' sanction to those rates is limited to the period to 31 March 1905, and should be reconsidered before that date in the light of any change in the present range of local prices which have necessitated this exceptional arrangement at the present time.

I am, &c.,
(signed) *G. H. Murray.*

The Under Secretary of State, War Office.

(Copy.—Cape 16/1411. Q.M.G. 6.)

Sir,

War Office, London, S.W., 10 March 1905.

WITH reference to Treasury letter dated 18 January 1904 (No. 764/04.) sanctioning the continuance of the daily ration on the war scale to the troops in South Africa for the year ending 31 March 1905, I am, by command of the Army Council, to acquaint you, for the information of the Lords Commissioners of His Majesty's Treasury, that the question of modifying this ration has during the past year been receiving the careful consideration of the General Officer Commanding the Forces, South Africa, who now reports that he is arranging to discontinue issues of bacon and cheese from the 1st proximo. The proposed arrangement will effect a net reduction in the daily scale of ration equivalent to $\frac{1}{2}$ lb. meat, with a consequent saving of about 2d. per ration. This is the full extent to which the General Officer Commanding feels justified in reducing the ration at the present time.

With regard to the question of Colonial allowance for the wives and children of married soldiers serving in South Africa, the special issue of which was approved by Treasury letter of 5 February 1904 (No. 1372/04.) I am to state that the General Officer Commanding in South Africa is yet unable to report any improvement as regards the cost of living in that country, and in no instance can he quote any article of necessity as having fallen in price. He considers it essential that any reduction in the rates fixed should be avoided at present.

The Army Council concurs in the recommendations of the General Officer Commanding as set forth above and accordingly solicits their Lordships' approval to the modified ration scale suggested (which is still in excess of the normal scale) and also the continuance of the issue of the existing rates of Colonial allowance to soldiers' families in South Africa during the forthcoming financial year.

Money is being taken in next year's estimates in accordance with the proposals now made

I have, &c.,
(signed) *E. W. D. Ward.*

The Secretary, His Majesty's Treasury, Whitehall, S.W.

(Copy.—4856/05.)

Treasury Chambers, 22 March 1905.

Sir,
THE Lords Commissioners of His Majesty's Treasury have had before them your letter of the 10th instant (Cape 16/1411. (Q.M.G. 6), relative to the continuance in South Africa during 1905-6 of an extra ration to the troops, and of a Colonial allowance to the wives and children on the married establishment.

Their Lordships request you to move the Army Council to cause them to be furnished with a financial statement showing the total cost and numbers involved, and the estimated distribution of the cost among the several Army Votes concerned.

The Secretary, War Office.

I am, &c.,
(signed) *G. H. Murray*

(Copy.—Cape 16/1411. Q.M.G. 6.)

War Office, London, S.W., 5 April 1905.

Sir,
WITH reference to Treasury letter of the 22nd ultimo (No. 4856/05), requesting to be furnished with particulars as to the cost, etc., involved by the continuance in South Africa during 1905-6 of an extra ration to the troops, and of a Colonial allowance to the families of soldiers on the married establishment, I am commanded by the Army Council to state for the information of the Lords Commissioners of His Majesty's Treasury that, as regards the ration, money has been taken in Estimates 1905-6 for an average daily issue of 21,996 rations (for officers, men and families) for the year.

If the same ration were to be issued in 1905-6 as was approved for 1904-5, the excess cost (3½d. a day) over the ration of 1898 would be £117,000 for the year. The discontinuance of the bacon and cheese means, however, a saving of £67,000 a year, leaving an excess cost of £50,000 per annum over the 1898 ration. This latter amount has been provided in estimates for the current year under Vote 7, Provisions, and compares with £132,000 which was taken in Estimates last year.

With regard to Colonial allowances for soldiers' families, provision has been made in Estimates 1905-6 for 1,343 women at 8d. a day, 2,854 children at 4d. a day, 266 women at 6d. a day, 115 children at 3d. a day, which makes £38,000 for the year under Vote 7, Colonial Allowances, as against £62,000 provided in 1904-5.

The Secretary, His Majesty's Treasury, Whitehall, S.W.

I have, &c.,
(signed) *E. W. D. Ward.*

(Copy.—6733/05.)

Treasury Chambers, 12 April 1905.

Sir,
THE Lords Commissioners of His Majesty's Treasury have had before them your letter (Cape/16/1411. (Q.M.G. 6), of the 5th instant further with regard to the issue of an extra ration to the troops in South Africa and of a Colonial allowance to the families of soldiers on the married establishment during the current financial year.

With reference to paragraph 5 of the War Office letter (53/Cape/8312) of 12 February 1903, I am to request you to move the Army Council to cause their Lordships to be informed for how long the extra ration on the war scale (potatoes excluded) was furnished from the large surplus of supplies existing at the close of the war; when, in whole or part, it began to be furnished from supplies purchased by the War Office under contract (local or otherwise); and at what date (if at all) supplies of the kinds forming the extra ration were sold as surplus stocks in South Africa.

The Secretary, War Office.

I am, &c.,
(signed) *G. H. Murray.*

(Copy.—Cape 16/1423. Q.M.G. 6.)

War Office, London, S.W., 10 June 1905.

Sir,
WITH reference to Treasury letter of the 12th April, 1905 (No. 6733/05) in connection with the question of the issue of an extra ration to the troops in South Africa, I am commanded by the Army Council to state, for the information of the Lords Commissioners of His Majesty's Treasury, that the extra ration on the war scale (excluding potatoes) was furnished in part only from surplus stocks of supplies up to 31 March 1904, as the stocks of groceries (i.e., coffee, tea, sugar, salt, and pepper) were not utilised for rations to the extent anticipated here. The circumstances in explanation of this are as follows:—

On 12 January 1903 the General Officer Commanding Transvaal and Orange River Colony reported contracts entered into locally for the supply of bread, groceries, forage, etc., for nine months from 1 January 1903, for the troops in his Command. Power was taken under all these contracts to issue supplies from Government Reserves.

On 28 February 1903 it was pointed out to General Officer, Commanding that it was not clear why it was considered necessary to make contracts for groceries in view of the large stocks then on hand in South Africa, and that no similar contracts had been made for Cape Colony. And, in reference to the clause in the conditions of contract reserving the right to issue supplies from Government Reserves, his opinion was asked as to its effect on prices and the extent to which it would be applied.

On 5 June 1903 a reminder for reply to foregoing letter was despatched.

On 10 August 1903 (letter received here 31 August 1903) General Officer Commanding replied that the making of contracts was approved by War Office letter of 5 July 1902. (This approval did not cover the making of purchases for supplies which could be issued from surpluses in hand. It was given after the General Officer Commanding South Africa had stated that he expected to dispose of surpluses profitably.) The General Officer Commanding added that "Stocks were very heavy, and the supplies were deteriorating very quickly, and before they could have been consumed a large quantity would have been lost. It was therefore considered advisable to obtain supplies by contract and dispose of our own stocks at the best prices procurable, especially as this procedure enabled our Supply Depôts and Army Service Corps personnel to be reduced." General Officer Commanding further stated that "Supplies are at present being issued from Government Stores as under:—

"Groceries (where available) for the first four days in each month and forage also (where available) the last four days in each month.

"The clause in conditions of contract referring to issues being made from Government Reserve is an unusual one, and does not, in my opinion, affect prices in any respect."

O.3.

3 F

On 30 September 1903 General Officer Commanding was instructed by telegram that the issue of grocery rations from Contractors should be suspended where supply could be made from our stocks. He was at the same time asked to telegraph explanation regarding necessity for issues from contractors in view of large stocks in store.

On 2 October 1903 General Officer Commanding telegraphed that the only stocks held were the 90 days' authorised reserve of groceries, all surpluses having been sold.

On 7 October 1903 a telegram was despatched to General Officer Commanding pointing out that free issue of field grocery ration was sanctioned in view of large stocks which are no longer available. He was asked if he recommended the 90 days' reserve of groceries being dispensed with and issued to the troops.

On 12 October 1903 General Officer Commanding replied recommending reduction of reserve groceries to 60 days' supply.

On 22 October 1903 General Officer Commanding was informed by telegram that reduction of reserve of groceries to 60 days was approved and that it was desirable that the month's supply should be expended by issues for troops' rations.

On 21 October 1903 a letter was despatched to General Officer Commanding asking for further explanation in the matter with reference to foregoing telegrams and his letter of 10 August 1903, and calling attention to the fact of no reply having been received to the observation in War Office letter of 28 February 1903 until the receipt of his letter of 10 August 1903 also pointing out to him that by War Office telegram of 30 July 1902 he was requested to take power in contract tenders to issue surplus stocks, and that it was understood surplus supplies would be quickly disposed of, but that it was never contemplated that, while such stocks remained unsold, supplies would be drawn from contractors to any considerable extent. Stating further that the sanction of the full field ration for troops was influenced by the knowledge that large surplus stocks existed, and there was no reason to suppose that they would not be drawn upon to the fullest extent in the interest of the public service. Enquiries were made at same time whether free issues of bacon, cheese, and jam authorised were still being made from surplus stocks and, if so, why the same course could not have been adopted as regards groceries. Explanation was also desired as to why issues of groceries from stocks were only made (where available) on four days a month.

On 25 January 1904 a reminder was sent calling for a reply to above letter.

On 25 March 1904 General Officer Commanding replied to War Office letter of 21 October 1903, stating that contractors were drawn on for groceries for the reasons given in his letter of 10 August 1903. That "urgent demands were being received for an immediate reduction of Army Service Corps *personnel*, and to have continued issuing from Government stocks to any large extent would have necessitated retaining a sufficient Army Service Corps staff at the various depôts for the purpose, and thus have rendered reduction of *personnel*, except to a small extent, impossible. Clause 12. Conditions of Contract, provided for the issue of groceries from Government reserves, and instructions were issued to all districts that issues from stocks on hand, surplus or reserve, were to be made on the first four days in each month. In view of the fact that these were the first contracts entered into, and that merchants generally were somewhat fearful of taking up War Department contracts, it was considered desirable not to curtail issues from contractors to any great extent, as such action might have prejudiced effects when calling for tenders again."

General Officer Commanding reported that on receipt of the authority sanctioning the war scale of rations he issued instructions that the difference between the peace and war scale ration was to be issued from Government stocks.

He further stated that issues of bacon and jam were still being made from Government stocks. All cheese had been disposed of. All surplus stocks of these articles had been sold, only sufficient retained to meet requirements to 31 March 1904.

General Officer Commanding added, "In summing up and in explanation of the necessity for disposing of surplus stocks, it may be stated that :-

"(1) A large quantity of our stocks was stowed on railway ground which we were being repeatedly urged to vacate, the land being required by the Railway Administration.

"(2) The supplies were rapidly deteriorating, owing to climatic influences and want of proper storage accommodation, as is evidenced by the large condemnations which have taken place by boards of officers.

"(3) It was necessary to vacate depôts, which were not to form part of the permanent garrison of South Africa, as quickly as possible.

"(4) Reductions of *personnel* were considered of paramount importance.

"(5) The cost of redistribution, including losses on rail, would have been a considerable item of expenditure probably not justifiable by results—*i.e.*, condition of the supplies when opened for issue to the troops."

The foregoing explanation was not considered altogether satisfactory, but as the local action had been taken, as stated, there was no remedy for the matter.

The 30 days' supply of groceries rendered available for issue as rations by the reduction of the reserve from 90 to 60 days' supply was equivalent to a three months' issue of the extra ration of groceries on the war scale, and this went some way towards making up for part of the stock that was sold instead of having been utilised for rations.

I am to add that some of the supplies of the kinds forming the extra ration were at one time and another sold as surplus stocks throughout the year 1903.

The question as to the method and the propriety of disposal by sale of surplus supplies and purchasing similar articles concurrently, as their Lordships are aware, was considered by General Sir W. Butler's Committee, the report of which is now under consideration.

The Secretary to the Treasury, Whitehall, S.W.

I am, &c.,
(signed) E. W. D. Wara

(Copy.)

Sir,

Treasury Chambers, 4 July 1905.

The Lords Commissioners of His Majesty's Treasury have had before them your letter (Cape 16/1423, Q.M.G. 6.), of the 10th ultimo further on the subject of the issue in 1905-6 (i.) of an extra ration to the troops in South Africa and (ii.) of the Colonial allowance for the wives and children of married soldiers serving in the command.

My Lords refrain at the present time from expressing an opinion on the general question of the sale of surplus supplies and the purchase of similar articles concurrently, seeing that this question is about to come under the consideration of the Commission appointed by His Majesty's Government to report on Supply matters generally.

As regards the issue of the extra ration and the Colonial allowance, my Lords record that the representations made in the War Office letters (53/Cape/8312 & 8651.) of 12 February and 17 July 1903—on which the issue of the extra ration was sanctioned by this Board up to 31 March 1904—were coupled with statements to the effect that large stocks of groceries, &c., were held by the military authorities in South Africa, and that it would not be necessary to purchase during 1903-4. The statement in the letter under reply, that these stocks were not utilised to the extent anticipated, is now made for the first time to this Board.

I am to request that you will inform the Army Council that their Lordships sanction the continuance for 1905/6 (i.) of the extra ration on the reduced scale proposed (costing £50,000 for the year), and (ii.) of the Colonial allowance to wives and children on the married establishment at an estimated cost of £38,000.

The Secretary, War Office.

I am, &c.,
(signed) Victor Cavendish.

IV.

(Copy.—53/Cape/9128 Q.M.G. F.)

War Office, London, S.W., 20 March 1905.

Sir,
I AM commanded by the Army Council to acquaint you, for the information of the Lords Commissioners of His Majesty's Treasury, that they have had under consideration the circumstances of the sale at Durban, in February 1903 of large quantities of oats found damaged and unfit for issue.

From enquiry which has been made into the matter it appears that the oats formed a part of the cargoes of the s.s. "Miguel de Larrinaga," "Tottenham," and "Ilford," purchased by the War Department in January and April 1902. The New Zealand Government, on behalf of the Secretary of State for War, inspected and passed the cargoes at the port of shipment, and, under the conditions of contract, this inspection was final as regards quality and weight of the oats. On discharge of the ships at Durban, it was found that the oats were more or less heated; and, ultimately, about two fifths of the total quantities received from these cargoes had to be disposed of by public tender at low prices in order to avoid loss from further deterioration.

The Army Council feel bound to come to the conclusion that the loss on these cargoes must be attributed primarily to indifferent quality of the oats passed by the New Zealand Government for shipment on the above-named vessels. It is known, however, that the New Zealand Government experience great difficulty, owing to a bad harvest, in procuring sound grain in sufficient quantity to meet the requirements of the War Department; and it is probable that, taking the shipments as a whole, the Colonial Government did its best in the matter. The Army Council consider, therefore, that little can practically be done beyond pointing out to the Colonial Government the unsatisfactory outcome of, and the serious loss arising from, these particular consignments, and asking for any explanations which can be held to justify the passing of the shipments. A letter on the subject will accordingly be addressed to the New Zealand Government.

Other contributory causes of deterioration were:—

- (a) The prolonged detention of the ships at the port of discharge, and
- (b) Probably also the want of suitable storage accommodation at Durban. These are well-known facts which have already been brought generally before their Lordships in connection with demurrage expenditure in South Africa and the losses at the Durban Supply Depot.

It is further possible that, in the case of one of the shipments, deterioration of the cargo was aggravated by bad stowage on board; but there is no proof of actual loss from that cause, and, in the absence of such proof, a claim for recovery on account of loss cannot be brought against the shipowners.

A copy of a memorandum on the subject is enclosed for their Lordships' information. In connection therewith, I am to observe that the original cost and freight of the oats in question was, approximately, £45,000, and that the sales realised just over £3,000. At the time the sales took place the market was loaded with surplus stocks, and some loss upon sales would undoubtedly have occurred apart from deterioration.

The sales have been under the review of the Comptroller and Auditor-General, and, having regard to the heavy loss incurred, the Army Council think it desirable that all the facts should now be placed before their Lordships.

I have, &c.,
(signed) E. W. D. Ward.

The Secretary to the Treasury.

(Copy.)

MEMORANDUM.

The E. and A. Department enquires the cause of the low price of certain oats at Durban sales during March, April and May 1903.

For these oats the buyer paid:—

£0 1 9 per ton for landing charges.
£2 4 9 per ton to Customs (duty).
£1 0 0 per ton to W. D.

£3 6 6

or, say, 3s. per 100 lbs. They were damaged, and the measure of the damage is shown roughly by comparing this price (3s.) with the price paid by us for imported oats under the Durban forage contract for 1903-4, viz., 8s. per 100 lbs. The loss, as against the market, is therefore about £5 per ton, not £9.

The correspondence forwarded by the G.O.C. traces the oats back to the following ships, viz.:—

| | Sailed from New Zealand. | Arrived Durban. | Completed discharge at Durban. |
|-------------------------------|--------------------------|-----------------|--------------------------------|
| Ilford - - - - - | 23/6/02 | 10/8/02 | 27/10/02 |
| Tottenham - - - - - | 11/6/02 | 21/7/02 | 8/10/02 |
| Miguel de Larrinaga - - - - - | 10/5/02 | 22/6/02 | 27/8/02 |

In consequence of this correspondence an entirely separable question has been raised, viz., whether any deduction had been made from shippers or contractors on account of the losses incurred.

On this we submit the following observations, keeping the two matters distinct, viz. :—

A. Losses up to time of discharge (queries 1, 2, and 3).

B. Losses after discharge (query 4).

The reports on discharge were as follows :—

| Ship. | Quantity Shipped. | | Quantity Discharged. | | Damage on Discharge. | |
|-------------------------|-------------------|---------------|----------------------|---------------|----------------------|---------------|
| | | | | | Quantity. | |
| | Bags. | Weight. Tons. | Bags. | Weight. Tons. | Bags. | Weight. Tons. |
| Ilford - - - - | 133,894 | 4,781 | 133,894 | 4,781 | 3,000 | 167 |
| Tottenham * - - - | 142,650 | 5,094 | 143,043 | 5,108 | 1,000 | 36 |
| Miguel de Larrinaga † - | 100,725 | 3,597 | 100,820 | 3,600 | — | — |

* Cargo all slightly heated, but fit for issue.
 † Cargo all more or less heated.

A.—QUERIES 1, 2, AND 3.

“ A

(1) Original Quality.—The New Zealand graders passed the oats as fair average quality in accordance with the contract (see condition 2 of print “ X ” attached). It is, however, possible that the oats, or a portion of them, were harvested too soon or in bad weather. If so, softness or dampness would account for deterioration.

From the report of the New Zealand Department of Agriculture for the year ending 31 March 1902 it appears that there was a “ very considerable quantity of damaged and discoloured grain.” The report also says :—“ In the earlier shipments of the new crop to South Africa very great difficulty was experienced in obtaining the necessary quantity of sound grain to meet requirements. The advantage of having all shipments passed by the official grader was very clearly exemplified, large quantities having to be rejected on arrival at the several ports.”

It is therefore probable that as the New Zealand oat crop of 1902 (harvested in January and February) was not a good one, some parcels shipped in the “ Ilford,” “ Tottenham ” and “ Miguel de Larrinaga ” were not satisfactory.

This view is strengthened by a consideration of the “ Oakley ” case. On that consignment a very heavy loss was incurred owing to deterioration. The opinion of the General Officer Commanding was that the oats were not properly harvested, and the opinion of expert officers at home who examined samples drawn from bulk at time of shipment partly confirmed G.O.C.’s views. (Papers 53/Cape/8660 and f.p.)

It was, however, agreed that we could not go behind the certificates of the New Zealand Government.

(2) Storage.—Attached are copies of reports re “ Miguel de Larrinaga ” and “ Ilford ” cargoes. In the former case it is clear that no claim could have been made against the ship, even if the damage had been assessed at the time. Of the “ Ilford ” cargo about 2 per cent. was reported damaged, but it does not appear that any claim against the ship was made locally before the vessels sailed from Durban. The case could only have been investigated on the spot and could not have been dealt with at home at a later date.

As the “ Tottenham ” cargo was fit for issue, no question of stowage arises.

“ A.”

(3) Prolonged Detention.—The table in paragraph 2 shows how long the cargo in each case was on board ship. Such detention in a climate like that of Durban would undoubtedly aggravate any defects due to softness or damp in a grain cargo. It would be, however, exceedingly difficult, assuming imperfect stowage, to apportion the blame to the ship up to the time when the ship was ready to discharge.

“ B.”

Statement B, page 9.

Losses after Discharge.—This subject has been fully considered by the Committee on the Administration of the Durban Supply Depot. It is, however, noteworthy that the list of supplies condemned at Durban during 1902 and 1903 does not contain oats. This appears to be a tribute to the quality received into store.

Legal Opinion.

The opinion of the Treasury solicitor was obtained in the case of the “ Workfield ” cargo of oats, concerning which a board had reported that the cargo was heated and sweating owing probably to shipment in damp weather. The opinion was as follows :—

Minute 4/11/02, 53/Cape/8275
 Minute 24/3/03, 53/Cape/8275
 Ilford.

(2) “ The ship is not in my opinion liable. . . . Shipowners are exempted at Common Law from liability for danger arising from the cause of the nature here in question.”

(3) “ The Underwriters are not liable ” and “ I do not think the W.D. is in a position to establish a claim against the contractors.”

Reports on Stowage.—The ship appears seaworthy, the hatches are watertight, and the holds appear to be properly and well ventilated.

We do not consider that the cargo was well stowed, there being an insufficiency of dunnage.—(Report on Board of Survey.)

“ Miguel de Larrinaga.”

The dunnage consisted of thin matting of very inferior quality.—(Letter of G.O.C.)

See copies of surveys attached.

We find on examining the log that the cargo was shipped during damp and foggy weather, but the loading was stopped when it actually rained. As regards the stowage, every precaution appears to have been taken, and we found no trace of leakage.

The ventilators, which did not appear sufficiently numerous, were shipped and in good order.

The iron decks were covered with wooden battens, and the sides were similarly protected.

On questioning the chief officer we ascertained that during fine weather the hatches had been uncovered.—(Report of Board of Survey.)

(Copy.)

REPORT OF SURVEY ON HATCHES.

At the request of Messrs. W. H. Weedon & Co., agents of the vessel, to survey and report the condition of the hatches before breaking bulk in the hold of the screw steamer “ Miguel de Larrinaga,” belonging to Liverpool, of 2,638 tons register, of which G. B. Thompson is master, and which vessel arrived at this port on 22 June 1902, from New Zealand and Australian ports, with a full cargo of Colonial produce.

The undersigned hereby certifies that on even date he proceeded on board the aforesaid "Miguel de Larrinaga" moored second ship off at "H" wharf shed in the inner harbour, made careful examination, and finding—

That the hatches were provided with sufficient tarpaulins, battens, wedges, and all necessaries for promptly and efficiently covering the hatchways, the hatchways being then, and as often as possible, opened for ventilation, and that the cargo (hay, fodder, and oats in bales and bags) was, save for sweating stains round the coamings, in dry and apparent sound condition in all the hatchways.

(signed) *Fredk. Airth,*
Marine Surveyor.

Port of Natal, 7 August 1902.

Fee for Survey and this Report, £1 1s.

(COPY.)

REPORT OF SURVEY ON CONDITION AND STOWAGE OF CARGO—

Miguel de
Larrinaga.

At the request of Messrs. W. H. Weedon and Company (agents) to survey and report upon the condition and stowage of the cargo of the steamship "Miguel de Larrinaga," from New Zealand and Australian ports, with a full cargo of Colonial produce.

The undersigned hereby certifies that he attended from day to day on board the aforesaid "Miguel de Larrinaga" while the cargo was being discharged at "H" wharf shed in the inner harbour, made careful examination, and finds as follows:—

That the cargo consisted of canned goods in cases, hay and compressed fodder in bales, and oats in bags.

That the cases were all landed in good condition.

That a number of the bales of hay and fodder were stained and more or less damaged by sweat, generated from moisture inherent in the cargo. There was no sea-water or traces of leakage in any of the holds.

That the oats in all the holds had become heated, giving out a moist vapour which, coming in contact with the cool metal sides and decks of the vessel, had become distilled, and falling back on the cargo had caused decay to the bags and damage to a large quantity of the oats. Many of the bags were so badly decayed that they came to pieces on being moved, leaving the contents loose in the hold.

The loose grain was carefully collected and filled into fresh bags, supplied for the purpose, before landing. This damage is due, in the opinion of the undersigned, to the grain being shipped in a damp or immature condition. The undersigned further certifies that the cargo has been well and carefully stowed with ample and suitable dunnage and matting in all the cargo spaces and compartments of the several holds, and whatever damage has occurred to the cargo while on board the vessel has been the result of unpreventable circumstances, and not of any neglect or default on the part of the servants of the steamship.

(signed) *Fredk. Airth,*
Marine Surveyor.

Port of Natal, 26 August 1902.

Fee for Survey and this Report, £3 3s.

(COPY.—5611/05.)

Sir,

Treasury Chambers, 29 March 1905.

THE Lords Commissioners of His Majesty's Treasury have had before them your letter (53/Cape/9128. Q.M.G. F.) of the 20th inst., placing before them, by direction of the Army Council, certain facts concerning the sale for £5,000, at Durban, in March to May 1903 of certain New Zealand oats, for which £45,000 had been paid by the War Office.

The Army Council are of opinion that the loss by deterioration of the consignments in question "must be attributed primarily to indifferent quality of the oats passed by the New Zealand Government" on behalf of the War Office in May and June 1902 and a communication will be addressed to the Colonial Government accordingly. My Lords, who observe that reference is made to the matter by the Comptroller and Auditor-General on page 258 of the Army Appropriation Account for 1903-4, will be glad to receive a copy of the Colonial Government's reply.

In the meantime, their Lordships would be glad to receive further information from the Council with regard to the policy generally of selling surplus stocks in South Africa after peace was declared on 1 June 1902. They would be glad to learn when and how this policy originated, and the extent to which it was carried, in conjunction with the placing of fresh contracts locally. My Lords observe from the letter under reply that, at the time when the sales now in question took place, "the market was loaded with surplus stocks," while from paragraph 82 *et seq.* of the report of the Comptroller and Auditor-General on the Army Appropriation Account for 1903-4 it appears that sales (*e.g.*, of forage) were being made locally contemporaneously with re-purchases from contractors.

The Secretary, War Office,

I am, &c.,
(signed) *Victor Cavendish.*

(COPY.—53/Cape/9128 Q.M.G. F.)

Sir,—

War Office, London, S.W., 1 April 1905.

IN reply to your letter of the 29th ultimo (No. 5611/05) relative to the sale of certain New Zealand oats at Durban in March to May 1903, and stating that the Lords Commissioners of His Majesty's Treasury would be glad to receive further information with regard to the policy generally of selling surplus stocks in South Africa after peace was declared, I am commanded by the Army Council to acquaint you, for their Lordships' information, that the whole question is being closely investigated by the Public Accounts Committee at this moment, whilst a portion of it is being carefully examined by Sir W. Butler's Committee. In these circumstances their Lordships will probably agree that it would be premature at this juncture to furnish the explanations asked for, especially as it would involve throwing upon an already overtaxed department a considerable amount of additional work.

I am to add that a copy of the New Zealand Government's reply to the communication addressed to it by this Department with regard to the oats in question will, in due course, be sent to you.

The Secretary to the Treasury.

I have, &c.,
(signed) *E. W. D. Ward.*

(COPY.—6516/05.)

Treasury Chambers, 13 April 1905.

Sir,

IN reply to your letter (53/Cape/9128 Q.M.G. F.) of the 1st instant, I am to request you to state to the Army Council that, while the Lords Commissioners of His Majesty's Treasury are willing to wait till Sir W. Butler's Committee has reported, they desire to be furnished then with the particulars as regards the sale of surplus stocks for which they asked on the 29th ultimo. Their Lordships would be glad to receive such particulars, together with a copy of the Report and Evidence of the Committee, when the Report is communicated to the Public Accounts Committee.

As regards the particular case of the loss on New Zealand oats which were sold at Durban in March–May 1903, my Lords do not understand why their sanction was not sought till the 20th ultimo. The reply of the New Zealand Government will doubtless explain why oats of indifferent quality were passed by that Government and consequently paid for by the War Office at the contract price for oats of fair average quality.

The Secretary, War Office.

I am, &c.,
(signed) *Victor Cavendish*

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3 G 2

APPENDIX No. 17.

PAPER handed in by Mr. Kempe, C.B.

MEMORANDUM by the COMPTROLLER and AUDITOR-GENERAL on matters dealt with in Paragraphs 82-92 of his Report on the Army Account for 1903-4.

As shown by the paper handed in by me on the 23rd June, I have now been furnished by the War Office with replies to certain of the outstanding queries referred to in my Report for 1903-4 (Pars. 82-92), and in connection with which I submit the following observations :

- Sales of surplus supplies mainly conducted by private treaty.
- Par. 83.—It appears from a further statement of the General Officer Commanding that the amount realised by the sale to contractors of surplus supplies for the period 1st January to 30th November, 1904, was 102,197*l.* 12*s.* 5*d.* From the papers recently furnished to me it seems that the total receipts from the sale of supplies to contractors, reported from South Africa, amounted to 717,326*l.* for the period 1st September, 1902, to 30th November, 1904, but it would appear that two sums of 641*l.* (Sales to Repatriation Department) and 22,435*l.* (Stores transferred to another Supply Officer) are wrongly included. The correct amount would seem to be 694,250*l.*
- Sales to, and purchases at enhanced rates, from firm A. (E. Stepney.) Query 49. Refund to above. Query 143. Firm B. (Meyer, Ltd.) Queries 96 and 248.
- Par. 84.—No specific reply has been received to these queries, but as will be seen from the War Office letter of 22nd June "the points raised do not appear to be such as can be disposed of at the present moment, in view of the fact that further investigation has been decided upon by His Majesty's Government." As regards Query 143, relating to the refund of 1,671*l.* 19*s.* 6*d.*, in view of the fact that the forage in question appears to have been issued to the contractor to make good his default, I am of opinion that the rates charged should have been at the scheduled prices for sale to the general public and not at "surplus stock" rates, and therefore, that the amount refunded, 1,671*l.* 19*s.* 6*d.*, is not admissible as a charge against Army Votes.
- Purchase of large quantity of forage by Wilson and Worthington. Query 243.
- Par. 85.—Particulars of the contracts entered into with this firm have been furnished to my Department, and substantiate the prices paid by and to them as mentioned in my Report. As regards the admissibility of the refund the terms of the contract provided that all goods were to be subject to Meyer's inspection before sale and delivery, after which he accepted all responsibility. Whether the firm had or had not taken delivery of the stores in respect of which the refund was made is the point at issue and the transactions with this firm, according to War Office letter of 22nd June 1905, are to undergo further investigation.
- Par. 86.—I have recently been informed that the quantity of hay actually sold to Messrs. Wilson and Worthington was 10,594,224 lbs., and that the cost of railage at Military rates was 21,913*l.* 18*s.*, and that enquiry has been made in South Africa whether any extra charge has been incurred on account of the difference between Civil and Military rates. The Customs duty payable on this consignment was 5,128*l.* 5*s.* 9*d.* This leaves a net credit to Army Funds, from the sale, of 10,037*l.* 11*s.* 10*d.*, or about 2*s.* per 100 lbs.
- Par. 87.—I have been furnished with a copy of the acceptance of the tender by Firm C. (Wilson and Worthington) for biscuits. It is noticed that while the tender was for "all sound biscuits" the acceptance was for "the whole of the biscuits." In view of the discrepancy between the tender and acceptance, the question as to the admissibility of the refund to this firm as a charge against Army Votes appears to raise a legal question on which I do not feel justified in expressing a definite opinion, and, as in the case of the Meyer refund, the transaction is to undergo further investigation.
- Par. 88.—The War Office, in reply to Query 291, state that there is no doubt the stores were actually supplied and that payment had not been previously made, a statement which the papers furnished to my Department tend to corroborate. I therefore consider that the payment referred to may be allowed against Army Votes. It will be seen from the preceding remarks that, as regards the more important points raised by my Department, they do not appear to be such as can be disposed of at the present moment, in view of the fact that further investigation has been decided upon by His Majesty's Government. In the case of the Stepney refund (1,671*l.* 19*s.* 6*d.*), I have already stated that in my opinion this charge is inadmissible against Army Votes. As regards the under-mentioned payments, while it is doubtful whether they are proper charges against Army Votes, the admissibility of the charges appears to depend so largely upon legal questions that, pending the result of the further investigation that is to be made, I do not feel justified in definitely stating that they are not properly chargeable to Army Funds :—
- £21,232 17*s.* 9*d.* refunded to Meyer, Ltd. (Paragraph 85, Query 96).
£739 0*s.* 8*d.* rebate to Wilson and Worthington on unsound biscuits (Paragraph 87, Query 144).
- A similar remark applies to the sum of £1,542 refund to Messrs. Wilson and Sons, Cape Town, on account of preserved meat purchased by them (mention of this transaction was not made in my report, but it was one of the items referred to Sir William Butler's Committee) making a total sum of £23,513 18*s.* 5*d.* left open for further consideration. I would, therefore, recommend that these items should be removed from the Account for 1903-4, and charged to a Suspense Account. This would enable me to make a further report upon these points in connection with the Army Appropriation Accounts for 1904-5.

July 1905.

John A. Kempe.

APPENDIX No. 18.

PAPER handed in by Mr. Kempe, C.B., 14 July 1905.

Sir,

Admiralty, 13 March 1905.

In reply to Mr. King's letter of the 4th January last, No. 16, respecting the payments made in the financial years 1902-3 and 1903-4, in anticipation of the signing of the contracts for hydraulic gun machinery, I am commanded by my Lords Commissioners of the Admiralty to acquaint you that the opinion of the Solicitor quoted therein has not been communicated to their Lordships of the Treasury.

A copy of the opinion, which is dated 13th January, 1903, is appended for your information, and I am to state that the question of the further security against loss which might be obtained for the Admiralty was carefully considered by my Lords, but owing to the fact that urgent necessity for making fresh advances arose while the matter was still under discussion, it was decided to make such advances on the old terms.

I am also to invite attention to the fact that this subject was discussed at the Meeting of the Public Accounts Committee held on 5th March, 1902 (Questions 570 to 578), when it was agreed that the Admiralty was fully secured against loss by the undertaking given by a firm to sign a contract when called upon to do so. As the sanction of their Lordships of the Treasury was given to the advances now under discussion after the date of that Meeting, they were presumably aware that the Admiralty was practically relying on the good faith of the contractors, and it consequently appeared unnecessary to draw special attention to the matter.

It will be seen that the course suggested by the Solicitor was that a condition should be inserted in the letter of acceptance providing for the settlement of any outstanding questions on the unsigned contract by the Arbitrator, *i.e.*, the Controller of the Navy. It is doubtful if the contractors would have agreed to such a proviso, and they might have urged that acceptance of such a clause would practically enable the Admiralty to dictate its own terms. In any case questions would have been raised involving further loss of time, and as the Solicitor also advised that the letter of invitation, tender and acceptance should be regarded as of equal importance with the formal contract, and having regard to the character of the firms in question and to the progress of the work, it appeared to my Lords that, in fact, the second condition of Treasury letter of 24th November, 1902, was essentially complied with.

I am to add, in conclusion, that all the contracts are now signed, and that it is hoped that no further necessity will arise for payment of advances in anticipation of the signing of formal contracts.

I am, etc.,
(signed) *Evan Macgregor.*

The Comptroller and Auditor General, Victoria Embankment, E.C.

CONTRACTS FOR SHIPS AND MACHINERY.

PAYMENT OF INSTALMENTS.

I agree that the letter of invitation, tender and acceptance should not be regarded as of less importance than the formal contract, and if the contract merely records in exact terms the mutual obligations involved by the tender and acceptance, there is no reason, from a legal point of view, why it should not be completed with in a very short time. Neither in such circumstances would there be any serious objection to payment of instalments before completion of the formal contract document.

So far as my experience goes, however, the difficulty, where it arises, is usually due to the fact that all the terms and conditions are not ascertained at the time of the acceptance of the tender, or that, in settling the draft contract, it is subsequently sought to modify them or to import further conditions into the bargain, thus re-opening the matter. If money is paid before a complete agreement is arrived at, this may prejudice a satisfactory settlement and may hold both parties to whatever bargain can be extracted from the state of negotiations at that point.

Of course, there may be cases in which it would be to the advantage of the Admiralty to clinch the matter; in fact, I have advised payment from this point of view in case of some of the subvention agreements. But it is very unsatisfactory to have the question of what is the contract between the Admiralty and the contractor in an indefinite state when the work is so far advanced that an instalment becomes due.

But however desirable it may be that all the provisions of the contract should be settled before the tender is accepted, I must assume that this is sometimes impracticable, and that owing, perhaps, to the details of one portion of the contract only being unsettled, the whole is retarded. In such cases what is aimed at is, in substance, that the Admiralty shall be able to procure an immediate commencement of the work without compromising their right to a properly framed contract.

I am unable to see that an additional agreement or undertaking by the contractor to execute a written contract when handed to him would really advance matters, for the terms to be inserted would, in so far as they were not settled, be open to disagreement. But I am inclined to suggest that the best way of meeting the difficulty would be to insert where necessary a condition in the letter of acceptance to the effect that so far as any portion of the contract remained unsettled the parties should agree to adopt such further or special terms and provisions in regard to it as should be agreed upon, or in default of agreement should be settled by the Arbitrator under the contract, who is, of course, under the present form, the Controller.

I think under such condition there should be no difficulty in case of need about payment of an instalment before the execution of a formal contract if the settlement of this should be delayed.

Such a condition, however, would scarcely be appropriate if the matter outstanding were so large and important a part of the subject matter of the contract as the provision of the auxiliary machinery. But as regards this I understand that the difficulty would be avoided by the proposed alteration of the procedure referred to in the preceding Minutes.

(Intld.) J. P. M. 13 January 1903.

0.3.

Sir,
In reply to Mr. Archibald's letter (No. 261) of the 18th ultimo, I am directed by the Lords Commissioners of His Majesty's Treasury to transmit, for your information, copy of a letter which they have caused to be addressed this day to the Admiralty on the subject of payments to contractors in anticipation of the signing of contracts.

Treasury Chambers, 17 April 1905.

I am, etc.
Victor Cavendish.

The Comptroller and Auditor-General.

Sir,
The Comptroller and Auditor-General having forwarded to the Lords Commissioners of His Majesty's Treasury a copy of your letter (No. 5/T.C. 56/1236) of the 13th ultimo, respecting payments made in 1902/3 and 1903 '4 in anticipation of the signing of contracts for hydraulic gun machinery (vide Treasury letter, No. 5210/04, of 21th March, 1904), I am to request you to state to the Lords Commissioners of the Admiralty that, while My Lords are glad to observe that all the contracts in question have now been signed, they cannot regard as satisfactory the explanations furnished in your letter.

Treasury Chambers, 17 April 1905.

My Lords, who had not gathered that the Admiralty were practically relying on the good faith of the contractors, observe that no further necessity is expected to arise for payment of advances in anticipation of the signing of formal contracts. Their Lordships of the Admiralty will agree with this Board that, before a liability is originally incurred, its scope should be clearly defined and subsequently embodied in the mutual obligations involved by tender and acceptance. If this be arranged at the outset on the basis of previously ascertained Admiralty requirements, there should be no difficulty, My Lords apprehend, in concluding a formal contract embodying those mutual obligations without the subsequent necessity of altering the original terms and conditions.

I am, etc.
Victor Cavendish.

The Secretary to the Admiralty.

APPENDIX No. 19.

PAPER handed in by Mr. John A. Kemp, C.B.

MEMORANDUM.

While I see no reason for changing the opinion expressed in my memorandum dated 7 July 1905 (Appendix No. 17), that the Stepney refund (£1,671 19s. 6d.) is not a proper charge against Army Votes, I recognise the difficulty in which the Public Accounts Committee would stand in proceeding further in the matter for the present. However complete might be the justification for recommending the charge for disallowance by Parliament, and however important the disallowance might be as an example in the public interest, in view of the consequences to the Accounting Officer on whom the penalty would fall upon the recommendation of the Committee being adopted by Parliament, the Committee would no doubt hesitate to proceed to such a recommendation without taking specific evidence on the subject and giving the officer an opportunity to present his case.

The refund is one of several upon which no specific evidence was taken pending the Report of the Butler Committee, to whom the cases were referred by the War Office. The same cases are now under reference to the Royal Commission, and although the Stepney refund presents features which appear to me to differentiate it from the other cases, the Committee would probably feel that it should not under the circumstances be singled out for further inquiry and perhaps decision by them, but should, like the rest, be carried to a suspense account to await the Report of the Royal Commission, and be dealt with in due course along with the Appropriation Accounts for 1904-5.

(signed) John A. Kemp.

21 July 1905.

I N D E X .

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1. *Representations in detail on the part of the War Office as to the Contract Supplies of Emergency Rations and Meat and Vegetable Rations, as to the conditions of the Contract with Maconochie Brothers, and as to the extensive condemnations of Emergency Rations on the score of deterioration.*

2. *Representations by the late Director of Contracts.*

3. *Explanations on the part of Maconochie Brothers; several reasons assigned in justification of the action of the Firm and of their practice in carrying out their contracts with the War Office.*

4. *Claims*

RATIONS (SOUTH AFRICA)—continued.

4. *Claims of the War Office in respect of the Condemned Rations ; Settlement agreed to.*
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1. *Representations in detail, etc., etc.*

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3. *Explanations on the part of Maconochie Brothers, etc.*—continued.

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SOUTH AFRICA (ARMY STORES AND STORE ACCOUNTS):

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2. *Deficiencies of Stores and Supplies at the Durban Depot and elsewhere; Large Losses written off.*
3. *Explanations on the part of Sir Neville Lyttelton as Successor to Lord Kitchener.*
4. *Stocktaking.*
5. *Post of Financial Adviser.*
6. *Army Service Corps and System of Storage and of Sales.*
7. *Sir William Butler's Committee.*
8. *Stores sent from England after Peace was declared.*
9. *Statements and Papers submitted by the Comptroller and Auditor-General.*
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1. *Explanations on the part of the War Office, etc.*

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